الخليـج للملاحـة القابضـة (ش.م.ع)

Gulf Navigation Holding PJSC

Annual Report 2018

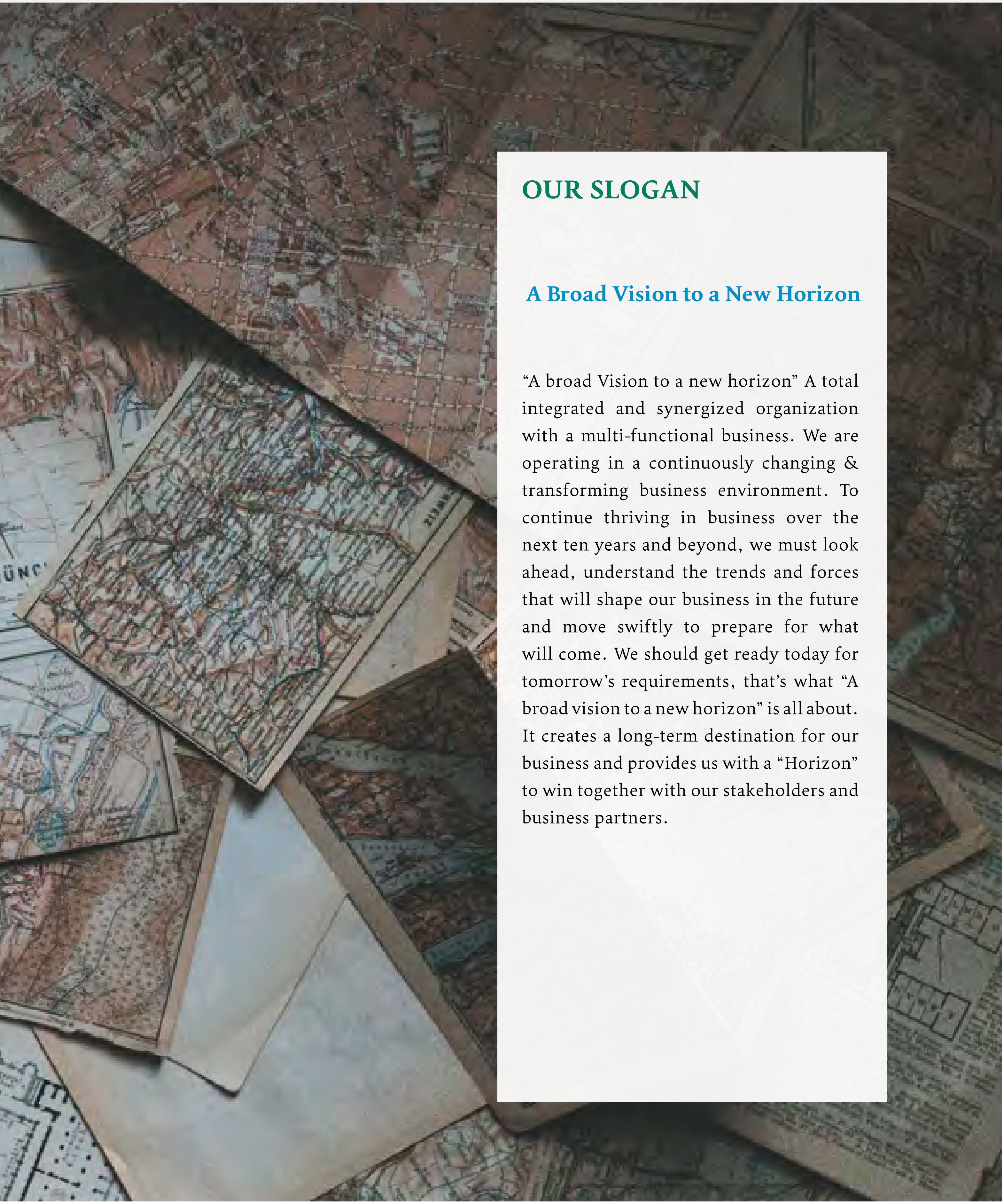
www.gulfnav.com

A Broad Vision to a New Horizon

Content

ABOUT US

Gulf Navigation Holding PJSC (GNH) is a fully integrated and synergized organization with a multifunctional business. It is the only maritime and shipping company listed in the Dubai Financial Market since February 2007 under the symbol "GULFNAV". The company is headquartered in Dubai, with branches inside the Fujairah port, Khorfakkan, and Abu Dhabi, and with an overseas office in the Kingdom of Saudi Arabia. GNH owns and operates a fleet of Chemical and Oil Tankers, Offshore Vessels, Marine and Ship Repair Services. As an ISO 9001:2015 certified company accredited by Bureau Veritas, GHN is committed to adhering to the requirements of the international management code for the safe operations of vessels, pollution prevention and environmental control including compliance with all the applicable international laws, regulations and requirements. GNH constantly works to upgrade its operations and provide high-quality services to local and international markets. This opens new opportunities to improve GHN's services to existing customers while attracting new customers.



OUR SLOGAN

A Broad Vision to a New Horizon

“A broad Vision to a new horizon” A total integrated and synergized organization with a multi-functional business. We are operating in a continuously changing & transforming business environment. To continue thriving in business over the next ten years and beyond, we must look ahead, understand the trends and forces that will shape our business in the future and move swiftly to prepare for what will come. We should get ready today for tomorrow’s requirements, that’s what “A broad vision to a new horizon” is all about. It creates a long-term destination for our business and provides us with a “Horizon” to win together with our stakeholders and business partners.

VISION

To continue thriving as a business leader over the next ten years and beyond, GNH creates a long-term destination diversifying its business with a “A Broad Vision to A New Horizon” in order to continue achieving suitability, quality and growth. The new vision is based on main pillars as follows.

People

Inspired, Innovative and Committed towards the corporation’s success

Portfolio

An integrated and diversified portfolio of maritime and offshore high quality services

Partners

A hybrid network of collaborative stakeholders and business partners

Profit

Wise management of resources with the highest return on investment for stakeholders

Productivity

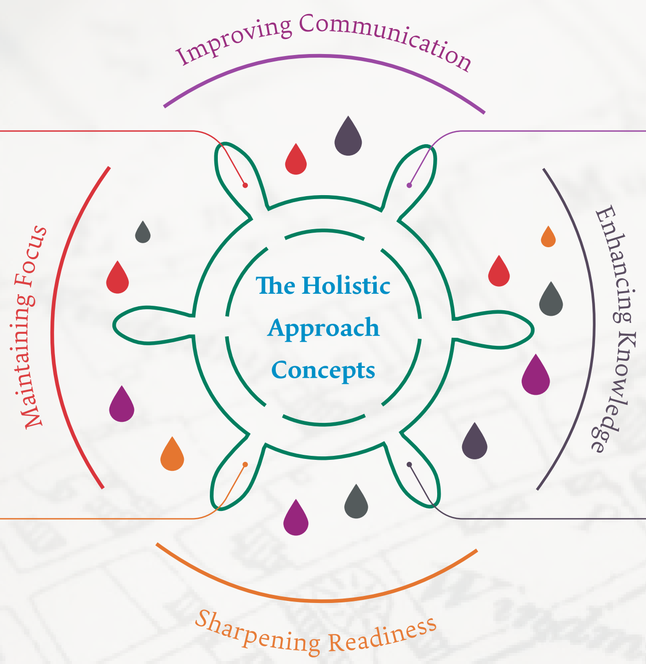
Smart implementation of doing business effectively and efficiently

MISSION

Our mission further strengthens our new horizon which stimulates our actions and decisions.

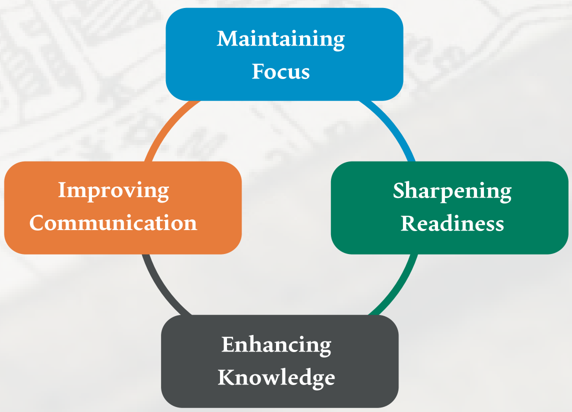
To build additional value to our stakeholders and business partners

To sharpen our knowledge for changing horizon, value creation and transformation



To be totally proactive & innovative to spire moments of optimism and happiness

To focus, sustain and grow our business with commitments to the future



VALUES

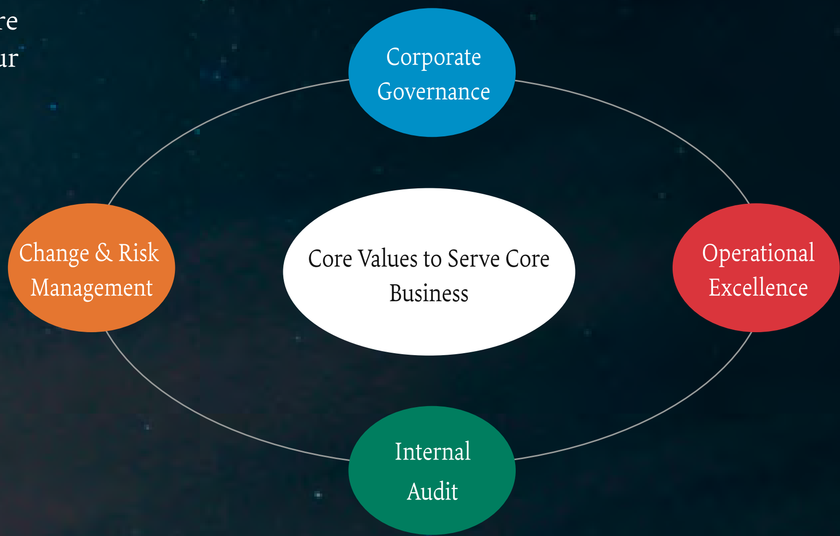
Our values serve as a compass for our actions and describe how we behave and serve our partners

- **Leadership:** The courage & innovation to shape a better future
- **Collaboration:** Effectiveness in employing collective relationships for the benefit of our company and partners
- **Accountability:** Responsibility for our actions
- **Integrity:** Incorporating the highest values, work ethics and integrity
- **Quality:** Providing superlative quality services

Refocusing the business, doing things smarter, being cost conscious, effective and increasing productivity and efficiency

WINNING CULTURE

Our winning culture defines our core values for actions and behaviour with our partners and clients.



Act Like Owners

- Being accountable for our actions and inactions
- Steward system assets and focus on building value
- Rewarding our people for taking risks and finding better solution to solve problems
- Learn from our outcomes "What have worked and what didn't"

Focus on the Market

- Focus on the needs of our consumers, customers and distinguished partners
- Get out into the market to listen, observe and learn
- Focus on the execution in the daily marketplace
- Always aspire for better

Work Smart

- Act with urgency
- Remain responsive to change
- Have the courage to change course when needed
- Work efficiently

Be the Brand

- Inspire creativity, passion, optimism and fun

BUSINESS OVERVIEW

- GULF NAVIGATION HOLDING PJSC (the "Company" or "GNH") is a totally integrated and synergized organization with multifunctional business.

- Embracing new horizons and milestones with new ventures, continuous improvements/ developments and global strategic partnerships to develop the maritime sector in the region, diversify the sources of the income, switch to a Multi-Enterprise Business Establishment and become the industry leader in these sectors.

- Providing our regional and international clients the most productive, cost-effective and premium services.

- Committed to increase assets, create shareholder values and maximize the returns to our stakeholders.

- We pride ourselves on being the only publicly listed marine/maritime company in the UAE with a global reach.

- Owns, operates, manages fleet of chemical tankers, offshore support vessels and crew boats. We provide integrated marine services and specialized in the transportation of crude oil and chemical products responsibly and safely in a sustainable manner.

- Operates in accordance with the best industry standards of Quality, Health, Safety, Security and Environment and other applicable statutory laws, rules and regulations.

- Started operations since 2003 headquartered in Dubai with own branch offices/warehouses inside the port of Fujairah and Khorfakkan and overseas office in the Kingdom of Saudi Arabia.

MAIN DIFFERENTIATORS

GNH is uniquely positioned to create a differentiated position by being a National Shipping Company in the UAE that has high standard, reliable, efficient and competitive fleet.

- Our key differentiator is that we deliver services in a cost effective and efficient manner and ensure quality commitment in all aspects of business.
- We have an agile and acumen business that maximizes the returns to our stakeholders.
- We have a deep and rich competence and will continuously invest in the development of our competence in order to support our customers and to be a solution-oriented company.
- We shall create a customer centric organization delivering with excellence and focusing on security, quality, safety and environment.

OUR FLEET

- Name: Gulf Huwaylat
- Type: IMO Type II Chemical Tanker
- Ownership: Owned
- Age: 10 Years

- Name: Gulf Fanatir
- Type: IMO Type II Chemical Tanker
- Ownership: Owned
- Age: 10 Years

- Name: Gulf Jalmuda
- Type: IMO Type II Chemical Tanker
- Ownership: Owned
- Age: 9 Years

- Name: Gulf Deffi
- Type: IMO Type II Chemical Tanker
- Ownership: Owned
- Age: 9 Years

- Name: Gulf Mirdif
- Type: IMO Type II Chemical Tanker
- Ownership: Owned
- Age: 8 Years

- Name: Gulf Mishref
- Type: IMO Type II Chemical Tanker
- Ownership: Owned
- Age: 8 Years

- Name: Gulf Nav 4
- Type: Crew Boat
- Ownership: Owned
- Age: 12 Years

- Name: Gulf Nav 3
- Type: Crew Boat
- Ownership: Owned
- Age: 12 Years

- Name: Gulf Nav 2
- Type: Crew Boat
- Ownership: Owned
- Age: 12 Years

- Name: Gulf Nav 1
- Type: Crew Boat
- Ownership: Owned
- Age: 12 Years

- Name: Aldelta
- Type: Livestock Carrier
- Ownership: Owned

- Name: AlMawashi
- Type: Livestock Carrier
- Ownership: Owned

- Name: Rahmeh
- Type: Livestock Carrier
- Ownership: Owned

OUR BUSINESS SEGMENTS

الخليـج للملاحـة القابضـة (ش.م.ع)
Gulf Navigation Holding PJSC

SHIP OWNING
Chemical, Crude & products

CHARTERING/COMMERCIAL

MARITIME SERVICES
Agencies, Marine Products,
Equipment's & Sales

SHIP MANAGEMENT & THIRD PARTY SHIP MANAGEMENT

EXCELLENCE
Marine Advisory
(Oil & Gas Technical Services)

SPECIALIZED MARINE SERVICES
Project Design, Project MGT
& Technologies

OFFSHORE SUPPORT SERVICES
Offshore Support Vessels, Rigs
& Accommodation

SHIP YARD & REPAIRS
Marine Advisory (Oil & Gas Technical Services)

MARITIME NEW VENTURES
New Ventures, Project Design & Technologies

OUR SUBSIDIARIES

الخليج للملاحة لإدارة العمليات البحرية (ش.ذ.م.م)

Gulf Navigation Maritime and Operations Management LLC

الخليج للملاحة بوليمار البحرية (ش.ذ.م.م)

Gulf Navigation Polimar Maritime LLC

الخليج لإدارة السفن (ش.ذ.م.م)

Gulf Ship Management LLC

الخليج للملاحة القابضة (ش.م.ع)

Gulf Navigation Holding PJSC

شركة الخليج لناقلات الكيماويات (ش.ذ.م.م)

Gulf Chemical Carriers LLC

شركة الخليج لناقلات النفط (ش.ذ.م.م)

Gulf Crude Carriers LLC

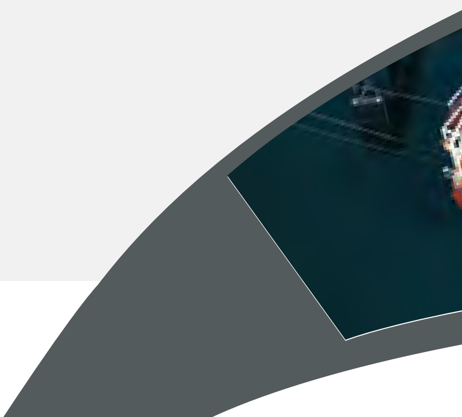
الخليـج لإدارة السـفن (ش.ذ.م.م)
Gulf Ship Management LLC

Established in 2009, Gulf Ship Management (GSM) is a wholly owned subsidiary of Gulf Navigation Holding PJSC providing a complete range of integrated ship management / technical services for the vessels owned by Gulf Navigation and third party vessels. GSM is an ISO 9001:2008 and ISO 14001:2004 certified ship management company delivering technical management services for Oil Tankers and Chemical Tankers (IMO Type II/III). The company has a dedicated team of professionals having broad technical and practical experience in the marine industry and they have excelled in their previous individual careers. GSM is committed to maintain professional ethics and transparency in all its operations which is the Hall Mark of the company. GSM aims to be recognized as one of the top professional and ethical ship management companies providing their customers with safe, professional, cost-effective and quality services.

Main Services

- One Stop Shop: benchmark crewing, safety and technical standards
- Tailored Approach: our comprehensive range of ship management services to meet and exceed each vessel owners need and expectations; and to satisfy all ship owners needs globally
- First Class Service: all ships managed to the highest standards
- Environmental Protection And Support: looking after the environment, personally and as business entity
- Leadership: transparency in our operations, and first-class ship management
- Safety: safest ship operations with nil injuries, damage to asset and zero pollution
- Operation Expenditure Optimisation
- Asset Value Protection

- **Asset Value Protection**
- **Tailored Approach**
- **Protecting the Environment**
- **Deliver Safely**
- **Transparency**
- **Cost Optimization**



الخليـج للملاحـة بوليـمار البحريـة (ش.ذ.م.م)
Gulf Navigation Polimar Maritime LLC

Established in 2017, Gulf Navigation Polimar Maritime LLC has become a subsidiary of Gulf Navigation Holding PJSC as result of the partnership between Gulf Navigation Holding and Polimar Turkish Holding to grow its fleet and increase its global reach. The company is headquartered in Dubai with offices in Dubai, Khorfakan, Fujairah. The company is a one-stop shop serving all terminals and commercial ports in the UAE and handling all types of vessels and cargos. Gulf Navigation Polimar Maritime provides cost-effective and premium services in all the GCC countries through its own liaison offices. The company has a well experienced staff with excellent knowledge of the local and regional markets and their relevant laws, rules and regulations. Gulf Navigation Polimar Maritime is committed to long term business relationships, accountability, transparency and dependability for all its marine solutions.

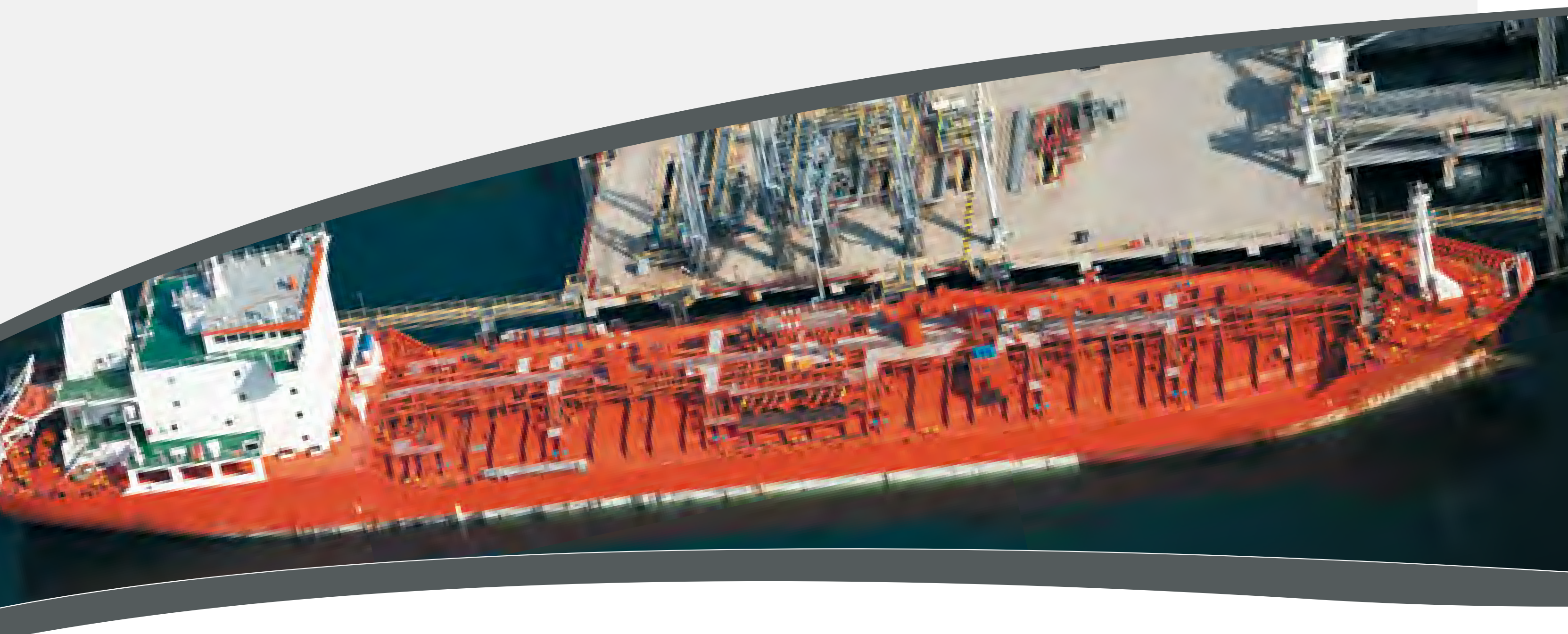
Main Services

Marine Products, Steel Wires Sales and Distribution

Ship Repair

Agency Services

* Coordination and Supply Services
* Cargo Vessel Handling
* Crew Boats



الخليج للملاحة لإدارة العمليات البحرية (ش.ذ.م.م)

Gulf Navigation Maritime and Operations Management LLC

Gulf Navigation Maritime and Operations Management was established in 2016 by Gulf Navigation Holding to implement the group's development and expansion plans according to the group's new strategy that aims at positioning Gulf Navigation amongst the premier world leading companies in the maritime sector. This will be achieved by providing proactive integrated solutions that serves the market needs according to the highest international safety standards while ensuring professionalism and efficiency in delivering the tasks.

Moreover, Gulf Navigation and Marine Operations Management LLC handles the operations of the group's subsidiaries such as Gulf Ship Management LLC and Gulf Navigation Polimar Maritime LLC in order to ensure providing international high-quality services.

Main Services

- Shipping of Oil and Petroleum Products
- Ship Charter
- Shipping Lines of Freight and Passengers Transportation
- Cargo Packing
- Ship Operations and Management
- Shipping Lines Agency
- Cargo Loading and Unloading Services

شركة الخليج لناقلات الكيماويات (ش.ذ.م.م)

Gulf Chemical Carriers LLC

Gulf Chemical Carriers LLC is a subsidiary of Gulf Navigation Holding PJSC that was established in 2006 to expand the range of services provided by the group and to diversify its activities in order to meet all the requirements of the distinctive maritime sectors.

Main Services

- Shipping lines of Freight and Passengers Transportation
- Ship Charter

شركة الخليج لناقلات النفط (ش.ذ.م.م)

Gulf Crude Carriers LLC

Gulf Crude Carriers LLC was established in 2006 as a subsidiary of Gulf Navigation Holding PJSC to provide specialized services to transport oil and gas and its derivatives in addition to provide offshore support services in order to meet the potential increasing demand for energy products.

Main Services

- Ship Operations and Management
- Ship Charter

STATEMENT BY THE CHAIRMAN OF THE BOARD

Dear Shareholders,
Greetings,

On behalf of the Board of Directors, I am pleased to present to you the annual report, which includes the company's activities and results as well as the programmes and projects that have been implemented to cope with the rapid changes that require the company to continue to develop and expand to meet the market's growing demands. The report also shows the consolidated financial statement that highlight the company's financial status for the fiscal year that ended 31 December 2018.

Our strategy is aligned with the vision of our wise leadership to establish a national maritime industrial cluster that will position the UAE as one of the key specialised maritime hubs worldwide, and provide a remarkable success story demonstrating that the maritime sector provides a lot of profitable opportunities for those who can seize them. We have entered into several regional and global strategic partnerships, which gives us varied opportunities and the ability to grow and provide our services not only in the field of ship owning and management, but also in several other areas. These include maritime services, shipping agency, ship maintenance and building, maritime technical consultancy and maritime project management. This will contribute to realising the company's vision to diversify its portfolio, expand its assets, provide added value to shareholders and introduce integrated quality maritime services according to the highest international standards in security, safety and environmental protection.

To support its vision to become one of the biggest petrochemical shipping companies in the region, the company has expanded its fleet by adding four livestock carriers. The company has also invested in developing and upgrading all its fleet to fully comply with international standards related to reducing greenhouse gas emissions, climate change and the targets for 2020, 2025 and 2030. These include the requirements for ballast water treatment, sulphur dioxide emissions and fuel consumption.

Although the financial statement shows losses in 2018, these were in fact necessary steps for making profits in the future, and will open the door for the Group to expand in the next few years. The Group incurred losses of AED 40 million in the fiscal year that ended 31 December 2018, compared to a net profit of AED 40.7 million in 2017. One of the main reasons behind these results was the final settlement of the company's last legal dispute with a Chinese company that was due since the time of the previous administration. Gulf Navigation settled the case by paying $8 million against the amount of $19 million that was due. The company also entered three petrochemical tankers into the dry dock for the mandatory five-year maintenance that included major upgrades that would enhance the company's competitiveness in the global markets. This was also needed for the immediate and future transformation to reduce the environmental footprint of the company's fleet and trans-sea operations. The upgrade also included equipping the three vessels with state-of-the-art technologies that will reduce operational expenses. As a result of these expenses and the losses of the three ships' rental revenues during the maintenance period, the company's financial results show these losses in 2018.

In conclusion, I would like to thank the Group's team of internationally-renowned and recognised maritime professionals. I also thank our investors and partners for their confidence in us. We promise to continue to strengthen the Group's position as one of the key players in the national maritime economy and achieve the UAE's maritime strategy to be one of the world's prominent maritime centres.

Thank You!

Abdulla Saeed Abdulla Brook Alhemeiri

Chairman of the Board

STATEMENT BY PRESIDENT

Dear Shareholders,
Greetings,

Competitive pressures are daily challenges for the Group. However, our long-term strategy ensures enough flexibility to adapt to market changes and pursue the proper investment opportunities to provide the best services and solutions to our customers. This has created the right environment to develop our business and take advantage of opportunities associated with the challenges we face, and continue to enhance our services to meet our customers' expectations.

The Group's financial statement shows losses of AED 40 million in 2018. However, a careful analysis reveals investment steps for the future that will accelerate growth and development in the next few years. The Group has approved plans and programmes to immediately transform our fleet to fully comply with international environmental laws related to reducing greenhouse gas emissions, climate change and the targets for 2020, 2025 and 2030.
Three petrochemical tankers entered the dry docks, where they were upgraded in order to reduce the carbon footprint of the Group's fleet and trans-sea operations. We have installed gas exhaust pumps to reduce sulphur emissions, and added advanced ballast-water treatment equipment to prevent biological pollution so that our vessels comply with IMO's standards. This ensures priority in getting new contracts in established markets such as the European Union and North America. Many companies are expected to withdraw from these markets as they cannot afford the expenses associated with complying with the new specifications.

We have also installed new advanced propellers that reduce fuel consumption by 5%. Reducing fuel consumption in Gulf Navigation's vessels adds a competitive advantage that allows it to make more profits and offer lower prices than its competitors who will have to pay higher low-sulphur fuel bills. More importantly, Gulf Navigation will be ready to comply with green-house reduction standards and contribute to achieving the UAE's goals in this regard. We have decided to take this step sooner than later to avoid having to use more expensive and less-available low-sulphur fuel, risking higher operational costs and the possibility of our vessels having to stop and not generate revenues while waiting for the new fuel.

Gulf Navigation's technical team adopted these major upgrades and changes for the company's fleet after deeply analysing the global petrochemicals and petroleum shipping industry, in light of the new requirements and standards imposed by IMO, the European Union, and the United States. The new measures will force many companies out of the market because of their inability to comply with them, in addition to the expected crisis that will result from low-sulphur fuel production, which will also be more expensive.

On the other hand, and in line with the Group's strategy that is based on the gradual expansion of its services and fleet size to meet the requirements of expected contracts and expansion projects, and after studying the company's future plans which primarily aim to diversify sources of income and risk management, reduce costs and increase operational efficiency, while maintaining the highest international standards, the Board of Directors of Gulf Navigation Holding Group (PJSC) approved increasing the company's capital to AED 1,019,209,250 divided into 1,019,209,250 shares.

I would like to emphasize that the purpose of increasing the capital is the company's desire to continue to develop and diversify its sources of income by purchasing four livestock carriers, which will reduce future investment risks. Purchasing these livestock carriers also opens up new horizons and markets for the company, which enables it to increase its market share, especially that the livestock transport and distribution sector in the Middle East is dominated by a limited number of specialised companies and there is less competition.

As 2019 progresses, global economy performance is still uncertain. However, we are confident that we can efficiently continue to implement our strategy and harness technology in a way that is most beneficial to our operations, our shareholders and all stakeholders. We realize that providing a work environment that promotes diversity and encourages open dialogue is a key pillar in achieving our business objectives. It provides us with a strong base to establish our position in keeping pace with global developments and find optimal ways to improve the quality of our services provided to our clients to keep up with the constant market dynamics.

I take this opportunity to encourage all my colleagues to harness all difficulties to make big positive changes for the company. Hard work is our source of power and helps us achieve higher levels of sustainability. This in turn, will lead to a more successful and sustainable business. I have always emphasised that our success is based on a strong team that possesses the highest international capabilities.

To conclude, I would like to thank all my colleagues who contribute to ensuring that the company can take a new step every day. I also thank the Board of Directors for developing such an excellent strategic plan, for their confidence in us, and for proving the resources that have allowed us to compete with the largest companies worldwide. We promise our investors and partners to continue to achieve greater excellence in performance and growth, to establish the company's position as one of the key players in the national maritime economy and achieve the UAE's strategy to be a key global maritime hub.

Thank You!

Omar Abu Omar

President Maritime & Operations Managment

BOARD OF DIRECTORS

ABDULLA SAEED ABDULLA BROOK ALHEMEIRI

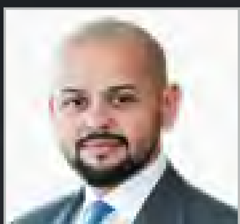
Chairman of the Board

ANAS SOBHI AHMED ATATREH

Vice chairman / Chairman of the Nomination & Remuneration Committee

AHMAD M. F. A. AL KILANI

Board Member - Member Audit Committee/ Member Nomination & Remuneration Committee



MUSTAFA GHAZI KHERIBA

Board Member

AJIT VIJAY JOSHI

Board Member

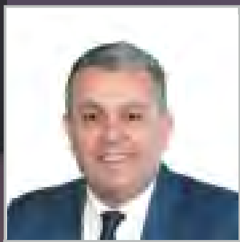
ABDUL RAHMAN MAHMOUD ABDUL RAHMAN MOHAMAD AL AFIFI

Board Member

MAGID ATTALLA AL-SHAMROKH

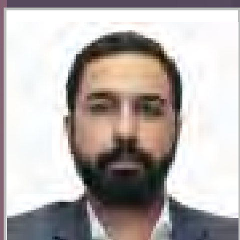
Board Member - Member Audit Committee

MANAGEMENT TEAM



OMAR ABU OMAR
President Maritime & Operations Managment

NASHAT HELAL
Chief Financial Officer



AHMAD SARAIREH
General Counsel

Gulf Navigation Holding PJSC and its Subsidiaries

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018


579,600
3,445,453
136,500
686,500
373,700
1,402,024
230,500
3,602,025
27,000
189,134,341
1,385,853
911,500
412,000
9,780,806
33,400
62,664,640
18,157,576
278,547
6,189
30
1,927
57,589
922
56
34
360,777
4,094
1,637
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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held sometime within the first half of 2019.

Principal activities

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

Results and appropriation of profit

The results of the Group for the year ended 31 December 2018 are set out on page 33 of these consolidated financial statements.

Going concern

As of the date of authorisation of these consolidated financial statements, the Group has demonstrated its ability to improve its financial position by raising a significant amount of new equity and by reaching agreement for full and final settlement with remaining counter-parties. In addition, the Group is in the process of refinancing one of its loan facilities with new lenders. The Directors, after reviewing the Group's available sources of funding (either through bank loan or additional equity including issuance of sukuk or other alternative models); cash flow forecasts and strategic plans for a period of not less than twelve (12) months from the date of the signing of these consolidated financial statements, 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 these consolidated financial statements.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Directors

The directors of the company during the year were as follows:

Mr. Abdulla Saeed Abdulla Brook Alhemeiri (Chairman)

Mr. Anas Sobhi Ahmed Atatreh (Vice Chairman)

Mr. Ahmad Mohamed Fathi Kilani (Director)

Mr. Magid Attalla Al-Shamrokh (Director)

Mr. Ajit Vijay Joshi (Director) - Appointment Date 13/01/2019

Mr. Mustafa Ghazi Kheriba (Director) - Appointment Date 1/01/2019

Mr. Mohammad Ziad Tariq Raslan Alhawari (Director) - Resignation Date 07/01/2019

Mr. Khamis Juma Khamis Buamin (Director) - Resignation Date 01/01/2019

Auditors

The consolidated financial statements of the Group have been audited by Ernst & Young.

Signed by:

Anas Sobhi Ahmed Atatreh
Vice Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Gulf Navigation Holding PJSC (the "Parent Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical and independence requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

The monitoring of debt and liquidity position

Covenants compliance is a key audit matter as the Group's credit facilities are subject to several covenants. Notes 16 and 2.1 to the consolidated financial statements discloses the status of the Group's compliance with debt covenants and steps taken by management with the objective of improving the Group's debt and liquidity position.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

The monitoring of debt and liquidity position (continued)

Future compliance with debt covenants and monitoring the liquidity position are important aspects for our audit since it can have a major impact on the going concern assumption, on the basis of which the consolidated financial statements are prepared. Substantiation of future compliance with such covenants and monitoring the liquidity position are based on expectations and estimates about future market and/or economic conditions, etc. These expectations and estimates can be influenced by subjective elements such as estimated future cash flows, forecasted results and margins from operations and expectations regarding future developments in the economy and the market.

We involved valuation experts for the evaluation of the assumptions and forecasts made by management. We evaluated the external inputs and assumptions within the going concern model by benchmarking them against market observable external data. We also reviewed documentation substantiating the sources of future funding available to the Group. We challenged the sensitivities and stress testing that management performed on the going concern forecast.

For the going concern assumptions and financing requirements, see Notes 2.1 to the consolidated financial statements.

We also verified the Group's debt covenants calculation and compliance as of 31 December 2018 and evaluated the adequacy of the related disclosures as required by IFRS.

Business combination

As disclosed in note 7 to the consolidated financial statements, the Group has completed an acquisition during the year ended 31 December 2018. The accounting for such acquisitions can be complex, including the identification and valuation of assets and liabilities acquired and, in certain circumstances, there is judgement as to whether they should be consolidated.

We considered the acquisitions to be a key audit matter as this is a significant transaction during the year which requires significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired entity with those of the Group. This exercise also requires management to determine the fair values of the assets and liabilities acquired and to identify intangible assets acquired in the acquisition.

There is a risk that the acquisition may not be correctly presented and disclosed in the consolidated financial statements. Also, the business combination may not be accounted for in accordance with IFRS 3.

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)
Business combination (continued)

Our audit procedures included, amongst others:

- inspection of the signed sale and purchase agreement in relation to the acquisitions to obtain an understanding of the transaction and the key terms.
- verification of the consideration paid and review of the fair valuation of the acquired assets, including intangible assets and liabilities, by corroborating this information based on our discussion with management and understanding of the business of the entity.
- assessment of the reasonableness of the valuation assumptions, such as discount and growth rates, by comparing these assumptions to source data and market data.
- evaluation of the appropriateness of accounting and adequacy of the disclosures in the consolidated financial statements.

Assessment of the carrying value of goodwill

Under IFRSs, the Group is required to annually test the goodwill for impairment. This annual impairment test was significant to our audit because the carrying value of goodwill of AED 160,342 thousand as of 31 December 2018 is material to the consolidated financial statements. In addition, management's assessment process is judgmental and is based on certain assumptions, specifically gross margins, growth rate and discount rate that are affected by expected future market or economic conditions.

Goodwill is monitored by the management at the operating segment level. The Group has identified the vessel owning and chartering division, marine products sales and distribution and shipping services as its operating segments. Goodwill has been allocated to the vessel owning and charter segment.

We evaluated the management's future cash flow forecasts and the process by which they were drawn up, and tested the integrity of the underlying discounted cash flow model. We compared the forecasts used in this model to the plan and assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy.

We also evaluated the directors' assumptions used for the future cash flow growth in the plan, by:

- Comparing the future cash flow growth assumptions to economic and industry forecasts;
- Assessing the reasonableness of the directors' forecast by reviewing previous forecasts against historical actual performance; and
- Performing a sensitivity analysis in respect of the key assumptions to ascertain the extent of change in those assumptions which, either individually or collectively, would be required for the goodwill to be impaired. We assessed the likelihood of these changes in assumptions arising.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)
Assessment of the carrying value of goodwill (continued)

For impairment assessment we:

- Involved our internal valuation specialists to test the discount rates, by comparing key inputs, where relevant, to externally derived data or data for comparable listed organisation; and
- Considered the use of the long-term GDP growth rate for the country in which the CGU operates for the growth rate used beyond the period covered by the plan.

Furthermore, we evaluated the adequacy of the Group's disclosures concerning goodwill in Note 7 to the consolidated financial statements.

Other information

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the articles of association of the Company;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) the Company has not made any investments in shares and stocks during the year ended 31 December 2018;

vi) note 19 reflects material related party transactions and the terms under which they were conducted;

Report on other legal and regulatory requirements (continued)

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its articles of association which would materially affect its activities or its financial position as at 31 December 2018; and

viii) note 22 reflects the social contributions made during the year.

For Ernst & Young

Signed by:

Anthony O'Sullivan

Partner

Registration No: 687

19 March 2019

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Vessels, property and equipment	6	1,248,604	843,354
Goodwill	7	160,342	135,999
Investment in a joint venture	8	-	300
		1,408,946	979,653
Current assets			
Inventories	9	13,756	12,275
Trade and other receivables	10	63,548	42,217
Due from a related party	19	1,017	3,371
Cash and bank balances	11	34,279	38,673
		112,600	96,536
TOTAL ASSETS		1,521,546	1,076,189
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	919,209	551,667
Statutory reserve	13	19,747	19,747
Accumulated losses		(120,363)	(80,247)
Other reserves	12	(2,380)	-
Equity attributable to equity holders of the parent		816,213	491,167
Non-controlling interests		13,564	13,454
Islamic convertible sukuk	14	100,000	-
Total equity		929,777	504,621
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	17	1,640	1,480
Provisions and other payables	18	-	81,008
Finance leases	15	55,204	57,550
Bank borrowings	16	78,695	61,713
		135,539	201,751
Current liabilities			
Finance leases	15	2,593	2,531
Bank borrowings	16	323,835	313,736
Trade and other payables	18	129,802	53,550
		456,230	369,817
Total liabilities		591,769	571,568
TOTAL EQUITY AND LIABILITIES		1,521,546	1,076,189

The consolidated financial statements were authorised for issuance on 19/3/ 2019 by the Board of Directors and signed on its behalf by:

Anas Sobhi Ahmed Atatreh
Vice Chairman

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Operating revenue	20	147,077	137,927
Operating costs	21	(128,401)	(88,966)
Gross profit		18,676	48,961
Other income		1,260	790
General and administrative expenses	22	(43,864)	(26,030)
Operating (loss) / profit		(23,928)	23,721
Finance income		-	1,299
Finance costs	25	(22,293)	(12,223)
Finance costs - net		(22,293)	(10,924)
Liabilities no longer required written back	18	8,727	31,673
Share of loss of a joint venture	8	(682)	(1,810)
(LOSS) / PROFIT BEFORE INCOME TAX		(38,176)	42,660
Income tax		(1,830)	(1,930)
(LOSS) / PROFIT FOR THE YEAR		(40,006)	40,730
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(40,006)	40,730
Attributable to:			
Equity holders of the parent		(40,116)	39,952
Non-controlling interests		110	778
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(40,006)	40,730
Earnings per share			
- Basic earnings per share (AED)	24	(0.047)	0.074
- Diluted earnings per share (AED)	24	(0.046)	0.074

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the parent							
	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000	Non-controlling interests AED'000	Islamic convertible sukuk AED'000	Total equity AED'000
Balance at 1 January 2017	551,667	15,674	(119,371)	-	447,970	-	-	447,970
Dilution of investment in a subsidiary (Note 2.1)	-	-	3,245	-	3,245	12,676	-	15,921
Total comprehensive income for the year	-	-	39,952	-	39,952	778	-	40,730
Transfer to statutory reserve (Note 13)	-	4,073	(4,073)	-	-	-	-	-
Balance at 31 December 2017	551,667	19,747	(80,247)	-	491,167	13,454	-	504,621
Share capital issued (Note 12)	367,542	-	-	-	367,542	-	-	367,542
Rights issue cost (Note 12)	-	-	-	(2,380)	(2,380)	-	-	(2,380)
Islamic convertible sukuk (Note 14)	-	-	-	-	-	-	100,000	100,000
Total comprehensive (loss) / income for the year	-	-	(40,116)	-	(40,116)	110	-	(40,006)
Balance at 31 December 2018	919,209	19,747	(120,363)	(2,380)	816,213	13,564	100,000	929,777

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
OPERATING ACTIVITIES			
(Loss)/profit for the year		(40,006)	40,730
Adjustments for:			
Depreciation	6	53,918	39,126
Share of net loss in joint ventures	8	682	1,810
Provision for employees' end of service benefits	17	390	439
Liabilities no longer required written back	18	(8,727)	(31,673)
Vessels, property and equipment written off		-	26
Gain on disposal of vessel	6	(1,007)	-
Provision for impairment of trade receivables	10	750	-
Finance costs	25	22,293	12,223
Finance income		-	(1,299)
Operating cash flows before working capital changes		28,293	61,382
Changes in working capital:			
Inventories		(1,481)	(4,107)
Due from a related party		1,972	2,799
Trade and other receivables		(5,977)	(6,256)
Trade and other payables		(15,884)	6,484
Due to related parties		-	(224)
		6,923	60,078
Employees' end of service benefits paid	17	(230)	(789)
Net cash flows from operating activities		6,693	59,289
INVESTING ACTIVITIES			
Purchase of vessels, property and equipment	6	(82,635)	(121,197)
Net cash flow on acquisition of business	7	(400,000)	-
Proceeds from disposal of vessels, property and equipment	6	4,027	-
Finance income received		-	1,299
Transfer (to)/from restricted cash		(511)	10,087
Net cash flows used in investing activities		(479,119)	(109,811)
FINANCING ACTIVITIES			
Proceeds from Islamic convertible bonds	14	100,000	-
Funds received from rights issue	12	367,542	-
Rights issue cost paid	12	(2,380)	-
Proceeds from new borrowings	16	89,377	134,546
Funds invested by non-controlling interests		-	2,562
Repayment of borrowings	16	(64,580)	(50,148)
Finance costs paid		(22,438)	(13,022)
Net cash flows generated from financing activities		467,521	73,938
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (forward)		(4,905)	23,416

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(4,905)	23,416
Cash and cash equivalents at the beginning of year		28,035	4,619
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	11	23,130	28,035
Restricted cash		11,149	10,638
TOTAL CASH AND BANK BALANCES		34,279	38,673

	Notes	2018 AED'000	2017 AED'000
Significant non-cash movements			
Purchase of vessels, property and equipment	6	-	(144,631)

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC ("the Company") is a Public Joint Stock Company incorporated on 30 October 2006 as per the Resolution of the Ministry of Economy No. 425 of 2006 and in accordance with UAE Federal Law No. (2) of 2015. The Company is listed on the Dubai Financial Market. The Company is primarily engaged in sea transport of oil and petroleum products and similar commodities, ship charter, shipping lines of freight and passenger transportation, sea freight and passenger charters, shipping services, sea shipping lines agents, clearing and forwarding services, cargo loading and unloading services, cargo packaging, sea cargo services and ship management operations through its subsidiaries as listed below. The Company operates from the 39th Floor, API Trio Tower, Al Barsha, Dubai, United Arab Emirates ("UAE"). The Company and its following directly or indirectly owned subsidiaries are together referred to as the "Group" in these consolidated financial statements:

Subsidiaries	Principal activities	Country of incorporation	% equity interest 2018	% equity interest 2017
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC	Ship Charter, etc.	UAE	100	100
Gulf Navigation Group FZCO	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
GulfNav Ship Management FZE	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
Gulf Crude Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Chemical Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Navigation Polimar Maritime LLC	Sea Shipping Lines Agents	UAE	60	60
Gulf Ship Management DMCC (deregistered on 6 February 2019)	Ship Management and Operation etc.	UAE	100	100
Gulf Navigation and Brokerage LLC	Ship Brokerage	Oman	100	100
Gulf Eyadah Corporation	Ship Owning	Panama	100	100
Gulf Huwaylat Corporation	Ship Owning	Panama	100	100
Gulf Deffi Corporation	Ship Owning	Panama	100	100
Gulf Jalmuda Corporation	Ship Owning	Panama	100	100
Gulf Fanatir Corporation	Ship Owning	Panama	100	100
Gulf Navigation Mishref Limited	Ship Owning	Cayman Islands	100	100
Gulf Navigation Mirdif Limited	Ship Owning	Cayman Islands	100	100
Gulf Navigation Sukuk Limited	Unlimited	Cayman Islands	100	100
Gulf Maritime Ship Management LLC*	Ship Management and Operations	UAE	100	n/a
Gulf Ship Management Co LLC	Ship Management and Operations, etc	UAE	100	100
Gulf Navigation Mishref Limited	Ship Charter	Liberia	100	100
Gulf Navigation Mirdif Limited **	Ship Charter	Liberia	100	n/a
GS Shipping Incorporation	Ship Owning	Marshall Islands	100	100
Gulf Ahmadi Shipping Inc	Ship Owning	Marshall Islands	100	100
Gulf Shagra Shipping Inc	Ship Owning	Marshall Islands	100	100
Gulf Navigation Ship Owning LLC ***	Ship Charter, etc	UAE	100	n/a
Gulf Navigation Livestock Carriers Ltd., Inc.****	Ship Owning	Panama	100	n/a
Gulf Navigation Livestock Carriers 1 Ltd., Inc.****	Ship Owning	Panama	100	n/a
Gulf Navigation Livestock Carriers 2 Ltd., Inc.****	Ship Owning	Panama	100	n/a
Kabedah S.A. ****	Ship Owning	Panama	100	n/a
Al Mawashi Compania Naviera S.A. ****	Ship Owning	Panama	100	n/a
Durango Shipping Ltd.****	Ship Owning	Marshall Islands	100	n/a

*incorporated on 25 January 2018
** incorporated on 13 February 2018
*** incorporated on 7 October 2018
**** acquired on 21 November 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1 LEGAL STATUS AND ACTIVITIES (continued)

The Group has the following branches:

Branch	Principal activities	Country of incorporation
Gulf Navigation Holding DMCC (Br)*	Ship Charter, etc.	UAE
Gulf Navigation Holding PJSC (Shj Br)	Ship Charter, etc.	UAE
Gulf Navigation Holding PJSC (Br)	Ship Charter, etc.	Kingdom of Saudi Arabia
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC – Abu Dhabi Branch**	Ship Management and Operations, etc.	UAE
Gulf Navigation Polimar Maritime LLC -Sharjah Branch	Sea Shipping Lines Agents	UAE
Gulf Navigation Polimar Maritime LLC -Fujairah Branch	Wholesale of Spare Parts and SectionsTrading of Ships and Boats, etc.	UAE
Gulf Ship Management Co LLC -Fujairah ***	Ship Management and Operations, etc.	UAE

* ceased operations on 17 April 2018
** incorporated on 25 April 2018
*** incorporated on 7 July 2018

The Group also has an interest in the following jointly controlled entity:

Jointly controlled entity	Principal activity	Country of incorporation	% Equity interest 2018	2017
Gulf Stolt Tankers DMCCO ("GST") (in liquidation process)	Ship Charter	UAE	50%	50%

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December 2018. Control is achieved where all the following criteria are met:

(a) the Company has power over an entity;
(b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
(c) the Company has the ability to use its power over the entity to affect the amount of the Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

In 2017, the Group sold 40% of the Group's shareholding in Gulf Navigation Polimar Maritime LLC (previously known as Gulf Navigation Maritime LLC) (a subsidiary) effective from 1 January 2017 in exchange for cash and in-kind consideration totalling of AED 12,676 thousand. In accordance with IFRS 10 – Consolidated Financial Statements, the net gain of AED 3,245 thousand on the sale of the interest in Gulf Navigation Polimar Maritime LLC has been credited directly against accumulated losses in the consolidated statement of changes in equity as an equity transaction.

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

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

Inter-company transactions, balances, unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

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

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

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

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

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

The carrying amount of joint ventures is tested for impairment in accordance with the policy described in Note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in ownership interests

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

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

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

Going concern

As of the date of authorisation of these consolidated financial statements, the Group has demonstrated its ability to improve its financial position by raising a significant amount of new equity and by reaching agreement for full and final settlement with remaining counter-parties. In addition, the Group is in the process of refinancing one of its loan facilities with new lenders. The Directors, after reviewing the Group's available sources of funding (either through bank loan or additional equity including issuance of sukuk or other alternative models); cash flow forecasts and strategic plans for a period of not less than twelve (12) months from the date of the signing of these consolidated financial statements, 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 these consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following new and relevant amended IFRS and IFRIC interpretations:

(a) New standards, interpretations and amendments adopted by the Group:

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 Transfers of Investment Property
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvement Plan IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment – by – investment choice

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards, interpretations and amendments adopted by the Group: (continued)

The adoption of the above standards and interpretations did not have any material impact on the consolidated financial statements of the Group except for IFRS 9 and IFRS 15 discussed below.

- **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted IFRS 9 from 1 January 2018. The effect of adopting IFRS 9 is, as follows:

Classification and measurement
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment
The adoption of IFRS 9 requires the Group to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against trade and other receivables and concluded that there was no material impact on the consolidated financial statements.

Hedge accounting
The Group does not enter into hedges and as such, the hedging requirements of IFRS 9 did not have any impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards, interpretations and amendments adopted by the Group: (continued)

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

Further, the Group is primarily engaged in sea transport of oil and petroleum products and similar commodities, ship charter, shipping lines of freight and passenger transportation, sea freight and passenger charters, shipping services, sea shipping lines agents, clearing and forwarding services, cargo loading and unloading services, cargo packaging, sea cargo services and ship management operations. The services can be classified as chartering and shipping services. The revenues for chartering are recognised based on fixed daily rate while shipping services are recognised as per hired days only. The Group does not provide warranties or discounts relating to the services rendered. Management concluded that IFRS 15 would not have any impact on the Group's consolidated financial statements as the current revenue recognition policy is in line with IFRS 15.

Furthermore, management assessed that the Group is acting as the principal in all of its arrangements. The Group receives certain advances from its customers as the period between the transfer of promised goods or services to the customer and when the customer pays for that goods or services is less than a year.

(b) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Management's assessment of impact on implementation of IFRS 16 is presented below. Further, management does not expect material impact on the Group's consolidated financial statements on account of other standards, amendments and interpretations.

- **IFRS 16 Leases**

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Standards issued but not yet effective (continued)

- **IFRS 16 Leases (continued)**

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the potential effect of IFRS 16 on its consolidated financial statements.

- IFRS 17 Insurance Contracts (1 January 2021)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (1 January 2019)
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (1 January 2019)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Company (effective date not decided)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (1 January 2019)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (1 January 2019)
- Annual Improvement Plan IFRS 3 Business Combinations – Previously held interests in a joint operation (1 January 2019)
- Annual Improvement Plan IFRS 11 Joint Arrangements – Previously held interests in a joint operation (1 January 2019)
- Annual Improvement Plan IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity (1 January 2019)
- Annual Improvement Plan IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation (1 January 2019)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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 Dollars ("USD") or currencies pegged to the USD, the functional currency of the entities is USD. However, the consolidated financial statements of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

- **Transactions and balances**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income 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.

Business combinations
The acquisition method of accounting is used to account for all business combination, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:
- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interested issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

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

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

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of comprehensive income.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vessels, property and equipment

Vessels, property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income 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	
• Chemical tankers	10-25
• Livestock	20-40
Leasehold improvements	10
Equipment	2-5
Furniture & fixtures	5
Vehicles	5
(Dry docking costs (included in carrying amount of vessels	3-5

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

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

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

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.

Intangible assets

Goodwill

Goodwill is measured as described in Note 7. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Inventories

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

Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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' in the consolidated statement of financial position (Notes 11 and 19).

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

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

Trade receivables

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

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Impairment of financial assets

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. 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 statement of comprehensive income.

Bank borrowings

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank borrowings (continued)

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

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

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

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

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

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

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

Taxes
Income tax expense represents the current tax. Income tax expense also includes any interest, fines and penalties payable to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Provisions

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

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

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

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.

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, and is included in equity attributable to the Group's equity holders.

Dividend distribution

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

Revenue recognition

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

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

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

The Group has concluded, based on its review of revenue arrangements with customers, that it is the principal in the majority of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

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

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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.

Rounding of amounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

Overview

The Group has exposure to the following risks from its use of financial instruments:

a) Market risk,
b) Credit risk, and
c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the finance department under the policies approved by the Board of Directors. The Group Finance team identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, profit 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.

Market risk

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. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

Price risk

The Group is not exposed to any significant price risk.

Fair value profit rate risk

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

Cash flow profit rate risk

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

The Group's profit rate risk is monitored by the Group's management on a monthly basis. The profit rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's profit 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 profit rate shift. The scenarios are run only for liabilities that represent the major profit-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Had the bank borrowing profit rate shifted by 50 basis points (in the case of floating profit rates) and all other variables remained unchanged, the net (loss)/profit and equity of the Group would have changed by AED 1,764 thousand for the year ended 31 December 2018 (2017: AED 1,530 thousand) accordingly.

Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Credit risk (continued)
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) 2018	Rating (Moody's) 2017	2018 AED'000	2017 AED'000
Banks				
A	A2	A2	20,725	17,561
B	Aa3	Aa3	10,601	10,639
C	Baa1	Baa1	1,117	9,427
D	A2	A2	694	n/a
E	A1	A1	549	n/a
F	A3	A3	115	779
G	Baa1	Baa1	27	n/a
H	Aa3	Aa3	23	4
I	A3	A3	3	3
J	A1	A1	3	3
K	A3	A3	1	1
L	Baa1	Baa1	1	1
Cash at banks (note 11)			33,859	38,418

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

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 consolidated statement of financial position ratio targets.
The following are the contractual maturities of financial liabilities, including estimated finance cost payments and including the impact of netting agreements:

	Carrying amount AED'000	Contractual cash flows AED'000	Less than 1 year AED'000
At 31 December 2018			
Trade and other payables (excluding advance from customers and dividend payable)	112,064	112,064	112,064
Bank borrowings	402,530	422,105	329,427
Finance leases	57,797	83,106	9,615
	572,391	617,275	451,106

	Carrying amount AED'000	Contractual cash flows AED'000	Less than 1 year AED'000
At 31 December 2017			
Trade and other payables (excluding advance from customers and dividend payable)	121,721	121,721	40,713
Bank borrowings	375,449	389,524	317,490
Finance leases	60,081	92,797	9,965
	557,251	604,042	368,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Liquidity risk (continued)

The future finance cost in respect of bank borrowings amounts to AED 44,883 thousand (2017: AED 69,154 thousand). The payment profile of this finance cost is as follows:

	2018 AED'000	2017 AED'000
Not later than one year	12,614	18,145
Between one year and five years	32,269	51,009
	44,883	69,154

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 'finance lease', 'bank borrowings' and 'other loans' (part of 'trade and other payables') as shown in the consolidated statement of financial position less 'cash and cash equivalents' as shown in the consolidated statement of cash flows. Total capital is calculated as 'total equity' as shown in consolidated statement of financial position plus net debt.

	2018 AED'000	2017 AED'000
Total borrowings (Notes 15, 16 and 18)	460,328	444,679
Cash and cash equivalents (Note 11)	(23,130)	(28,035)
Net debt	437,198	416,644
Total equity	929,777	504,621
Total capital	1,366,975	921,265
Gearing ratio	31.9%	45.2%

3.3 FAIR VALUE ESTIMATION

The Group did not have any other financial assets or liabilities that are measured at fair value at 31 December 2018 and 2017.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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.

Useful lives and depreciation of vessels, property and equipment
Management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Classification of leases - Group as a Lessor
The Group has entered into long term vessel leasing arrangements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vessel and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessel, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance lease is capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Consolidation of subsidiaries
The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: Consolidated Financial Statements. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of receivables
An estimate of the collectible amount of trade receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross receivables amounted to AED 18,737 thousand (31 December 2017: AED 13,348 thousand) with provision for doubtful debts of AED 985 thousand (31 December 2017: AED 235 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance against impairment applied according to the inventory type and the degree of ageing or obsolescence.

Revenue recognition
The Group has concluded, based on its review of revenue arrangements with customers, that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Taxes
The Group has exposure to taxes primarily in the Kingdom of Saudi Arabia. Significant judgment is involved in determining the provision for tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the period in which such determination is made.

Provisions and contingencies
The Group is required to estimate the amount of present obligations as at the balance sheet date that require provisions to be made. This requires the application of subjectivity informed by the current position of each matter (be it related to legal disputes, arbitrations or ongoing negotiations) and advise from external advisors.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.3. 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).

Management has used the following revenue growth rate assumptions in determination of the value-in-use:

Year 1 to 3 – 0% to 2%
Years 4 – 0% to 23.4%
Year 5 onwards – 0% to 2%

If the rate projections within the next five years are not achieved, the goodwill would be impaired in entirety.

If the budgeted gross margin used in the value in use calculation for the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% higher/lower than management's estimates at 31 December 2018 and 2017, no impairment charge would have been recognised.

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

When using management's weighted average cost of capital of 8.42%, headroom equates to AED 264,427 thousand.

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 and chartering: Chartering of vessels to customers;
- Ship management: Technical management of vessels;
- Marine products sales and distribution: Trading of goods such as supplies, chemicals and gases required for ships;
- Shipping and technical services: Providing agency services to ships calling at ports; and providing workshop services for boats
- Other: Includes management of all divisions and administrative activities.

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

Geographical segments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

5 OPERATING SEGMENTS (continued)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	132,195	5,034	404	14,112	-	(4,668)	147,077
Operating costs	(122,853)	-	(210)	(10,006)	-	4,668	(128,401)
Other income	1,061	-	122	26	1,087	(1,036)	1,260
General and administrative expenses	(2,783)	(7,044)	(178)	(3,744)	(32,981)	1,036	(45,694)
Finance costs	(21,488)	-	-	-	(805)	-	(22,293)
Liabilities no longer required written back	3,550	-	-	-	5,177	-	8,727
Share of net loss of joint ventures	(682)	-	-	-	-	-	(682)
Reportable segment (loss)/profit	(11,000)	(2,010)	138	388	(27,522)	-	(40,006)
At 31 December 2018							
Reportable segment assets	1,933,022	17,169	11,555	16,440	1,379,396	(1,836,036)	1,521,546
Reportable segment liabilities	1,263,771	19,469	12,602	2,639	675,350	(1,382,062)	591,769

5 OPERATING SEGMENTS (continued)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	120,535	4,253	2,475	14,041	-	(3,377)	137,927
Operating costs	(81,033)	-	(2,032)	(9,278)	-	3,377	(88,966)
Other income	-	-	730	-	1,229	(1,169)	790
General and administrative expenses	(2,769)	(4,979)	(484)	(3,466)	(17,431)	1,169	(27,960)
Finance income	7	-	11	39	1,242	-	1,299
Finance costs	(10,102)	(21)	(133)	(19)	(1,948)	-	(12,223)
Liabilities no longer required written back	-	-	-	-	31,673	-	31,673
Share of net loss of joint ventures	(1,810)	-	-	-	-	-	(1,810)
Reportable segment profit	24,828	(747)	567	1,317	14,765	-	40,730
At 31 December 2017							
Reportable segment assets	868,397	15,967	3,684	22,589	1,128,778	(963,226)	1,076,189
Reportable segment liabilities	1,061,451	12,089	2,775	11,350	360,947	(877,044)	571,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

6 VESSELS, PROPERTY AND EQUIPMENT

	Vessels AED'000	Leasehold improvements AED'000	Equipment AED'000	Furniture & fixtures AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2018	1,155,086	3,702	2,627	503	531	108,045	1,270,494
Acquired through business combination (Note 7.1)	395,657	-	-	-	-	-	395,657
Additions	54,166	143	547	-	8	27,771	82,635
Disposals	(19,124)	-	-	-	-	-	(19,124)
Assets written off	-	-	-	-	(111)	(108,045)	(108,156)
At 31 December 2018	1,585,785	3,845	3,174	503	428	27,771	1,621,506
Accumulated depreciation and impairment losses							
At 1 January 2018	315,159	1,457	1,893	79	507	108,045	427,140
Charge for the year	53,098	462	214	131	13	-	53,918
Relating to assets written off	-	-	-	-	(111)	(108,045)	(108,156)
At 31 December 2018	368,257	1,919	2,107	210	409	-	372,902
Net book amount							
At 31 December 2018	1,217,528	1,926	1,067	293	19	27,771	1,248,604

6 VESSELS, PROPERTY AND EQUIPMENT (continued)

	Vessels AED'000	Leasehold improvements AED'000	Equipment AED'000	Furniture & fixtures AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2017	892,514	2,637	2,028	287	531	108,045	1,006,042
Additions	262,572	2,190	599	467	-	-	265,828
Assets written off	-	(1,125)	-	(251)	-	-	(1,376)
At 31 December 2017	1,155,086	3,702	2,627	503	531	108,045	1,270,494
Accumulated depreciation and impairment losses							
At 1 January 2017	276,262	2,462	1,828	273	494	108,045	389,364
Charge for the year	38,897	100	65	51	13	-	39,126
Relating to assets written off	-	(1,105)	-	(245)	-	-	(1,350)
At 31 December 2017	315,159	1,457	1,893	79	507	108,045	427,140
Net book amount							
At 31 December 2017	839,927	2,245	734	424	24	-	843,354

- Vessels with a net book value of AED 1,091,158 thousand (2017: AED 706,644 thousand) as at 31 December 2018 are mortgaged as security for bank borrowings (Note 16).
- The carrying value of vessel held under finance leases at 31 December 2018 was AED 121,148 thousand (2017: AED 128,481 thousand). Leased assets are pledged as security for the related finance leases (Note 16).
- During the year, the Group acquired a vessel for an amount of AED 10,460 thousand. The vessel is intended to be converted into an oil stimulation vessel to service the specific requirements of a time charter due to be implemented in January 2019. The vessel is currently under conversion and as such disclosed as capital work-in-progress. Borrowing cost related to this vessel amounting to AED 1,052 thousand has been capitalised during this year.
- During the year, the Group disposed of a vessel with a net carrying value of AED 19,124 thousand and recorded a gain of AED 1,007 thousand.
- The Group's management had previously contracted with a shipyard ("the Contractor") for the construction of two new vessels. The carrying amount of advances recorded as part of capital work-in-progress as of 31 December 2013 was AED 106,506 thousand. Discussions were continuing with the Contractor in relation to new contractual terms. However, alongside these discussions, the Contractor issued Notices of Termination for these two contracts and filed a claim to retain the first instalment and/or damages for any loss suffered. The Group responded with its own legal action, the matter then went into arbitration. Based on the award made by the arbitrator in March 2014, the Group made a provision for impairment of the entire amount of the capital work-in-progress amounting to AED 108,045 thousand which includes the aforesaid advance, as part of the results for the year ended 31 December 2013. During the year, the Group has reached an amicable settlement with the Contractor and in light of the settlement terms, the entire provision for impairment of AED 108,045 thousand has been utilised during the period. Accordingly, the capital work-in-progress has now been written off against the related provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

7.1 BUSINESS COMBINATION

During the year, the Group obtained control of Gulf Navigation Livestock Carrier Ltd. Inc, a wholly owned subsidiary of Aksab Investments LLC, which is registered in the Republic of Panama, for a purchase consideration of AED 420,000 thousand. Out of AED 420,000 thousand, an amount of AED 20,000 thousand is payable as at 31 December 2018 (Note 18).

The following table summarises the recognised amounts of assets and liabilities acquired and consideration paid at the date of acquisition.

	AED '000
Assets–	
Vessels	395,657
Total identifiable net assets on a provisional fair value	395,657
Less: Consideration paid and payable	420,000
Goodwill	24,343

Cash flow on acquisition	AED '000
Net cash acquired	-
Net cash outflow on acquisition	(400,000)

The net assets recognised in the 31 December 2018 consolidated financial statements were based on a provisional assessment of their fair value and accordingly, goodwill of AED 24,343 thousand was recognised on a provisional basis. Fair value will be reassessed within the permitted time period allowed under IFRS.
From the date of acquisition, Gulf Navigation Livestock Carrier Ltd. Inc. contributed a revenue of AED 13,480 thousand and a net loss of AED 1,877 thousand to the Group.

7.2 GOODWILL

	2018 AED'000	2017 AED'000
Balance at 1 January	135,999	135,999
Addition during the year (Note 7.1)	24,343	-
Balance at 31 December	160,342	135,999

The goodwill of AED 135,999 that arose at the time of the Initial public offer (IPO) following the acquisition for cash of the existing businesses by the founding shareholders of Gulf Navigation Holding LLC from the original shareholders net of impairment charge. These businesses were transferred in kind by the founding shareholders of Gulf Navigation Holding LLC for a 45% shareholding in Gulf Navigation Holding PJSC. The goodwill has been allocated to the vessel owning and charter segment of the business.

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

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.

7.2 GOODWILL (continued)

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.

	2018	2017
Growth rate	2%	2%

Discount rates

Discount rate of 8.42 % (2017: 7.32%) reflects management's benchmark for evaluating investment proposals. For sensitivity analysis, please refer to Note 4.

8 INVESTMENT IN A JOINT VENTURE

	2018 AED'000	2017 AED'000
Balance at 1 January	300	117,238
Share of net loss in joint ventures	(682)	(1,810)
Advances given to joint ventures earlier now applied towards purchase of vessels	-	(108,222)
Partial return of non-reciprocal capital contribution	-	(3,535)
Other movements	382	(3,371)
Balance at 31 December	-	300

Investment in a joint venture represents the Group's 50% interest in Gulf Stolt Tankers DMCCO whose principal activity is ship owning. The joint venture which was formed in accordance with an agreement with Stolt-Nielsen Indian Ocean Middle East Service Limited. The joint venture is currently under liquidation.

Summary financial information of the joint venture, not adjusted for the percentage ownership held by the Group is as follows:
Gulf Stolt Tankers DMCCO

	2018 AED'000	2017 AED'000
Current assets	4,698	16,109
Current liabilities	(779)	(1,092)
Net assets	3,919	15,017
Revenue	-	70,593
Expenses	(682)	(74,213)
Loss for the year	(682)	(3,620)

The Group did not invest in stocks or shares during the year ended 31 December 2018 (2017: AED Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

9 INVENTORIES

	2018 AED'000	2017 AED'000
Spare parts	9,223	10,368
Vessel oil and lubricants	4,411	1,854
Others	122	53
	13,756	12,275

Inventory consumption for the year was AED 7,785 thousand (2017: AED 4,869 thousand).

10 TRADE AND OTHER RECEIVABLES

	2018 AED'000	2017 AED'000
Current		
Trade receivables	18,737	13,348
Provision for impairment of trade receivables	(985)	(235)
	17,752	13,113
Receivable on dilution of investment in a subsidiary (See note 2.1)	14,640	14,640
Advance to suppliers	3,464	1,844
Prepayments	3,766	4,951
Receivable towards sale of vessel (Note 6)	16,104	-
Other receivables	7,822	7,669
	63,548	42,217

The Group is currently in discussions with the minority shareholder in terms of the latter's future involvement in the Group's subsidiary. A final agreement is expected to be agreed after the end of the reporting period.
As at 31 December 2018, trade receivables of AED 17,752 thousand (2017: AED 13,113 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	2018 AED'000	2017 AED'000
0 to 90 days	9,624	7,463
91 to 120 days	628	843
121 to 150 days	189	442
151 to 365 days	1,815	1,082
More than 365 days	5,496	3,283
	17,752	13,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

10 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2018, trade receivables with a nominal value of AED 985 housand (2017: AED 235 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2018 AED'000	2017 AED'000
Balance at 1 January	235	235
Additions	750	-
Balance at 31 December	985	235

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

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

11 CASH AND BANK BALANCES

	2018 AED'000	2017 AED'000
Cash on hand	420	255
Cash at banks	33,859	38,418
Cash and bank balances	34,279	38,673
Restricted cash	(11,149)	(10,638)
Cash and cash equivalents	23,130	28,035

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

12 SHARE CAPITAL

	2018 AED'000	2017 AED'000
Authorised:		
1,000,000,000 shares of AED 1 each	1,000,000	1,000,000
Issued and fully paid up:		
919,209,250 shares (2017: 551,666,666 shares) of AED 1 each	919,209	551,667

On 6 March 2018, the Company issued 367,542,584 ordinary shares of AED 1 each, which were fully subscribed and paid-up. The new capital was raised through a rights issue offered to existing shareholders. The Group incurred a cost of AED 2,380 thousand in connection with the rights issue which is presented as "Other reserves" in the consolidated statement of changes in equity.

Subsequent to the year-end, the authorised capital was increased to 1,019,209,250 shares of AED 1 each. Further, the shares were fully subscribed by the way of conversion of the Islamic convertible Sukuk using a conversion rate of AED 1 per sukuk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

13 STATUTORY RESERVE

As required by the UAE Federal Law No. (2) of 2015, and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances as stipulated by the law. During the year, an amount of AED NIL (2017: AED 4,073 thousand) was transferred to the statutory reserve.

14 ISLAMIC CONVERTIBLE SUKUK

	2018 AED'000	2017 AED'000
Islamic convertible sukuk	100,000	-

On 18 November 2018, the Group issued Islamic convertible sukuk (the "Sukuk") for a value of AED 100,000 thousand by way of a private placement to Wahat Al Zaweya Investment & Real Estate Development LLC, in accordance with, inter alia, the following terms:

- Security: Mandatory Convertible Islamic Sukuk
- Type of Sukuk – in compliance with Islamic Shari'a
- Value of Sukuk – AED 100,000 thousand
- Number of Sukuk – 100,000,000
- Type of conversion: Mandatory to be converted into shares in the Company in accordance with the terms and conditions of the Sukuk and without the need for any future approvals to the conversion process from the general assembly of the Company or the regulatory authorities.
- Conversion price: AED 1 per Sukuk
- Interest rate per sukuk - 0%
- Conversion period: 3 months from the issuance date ending on 18 February 2019

The Sukuk is non-interest bearing and is mandatorily required to be converted into shares in the Company within three months from the issuance date. As such, the Group has classified the Sukuk as equity in the consolidated financial statements.

15 FINANCE LEASES

	2018 AED'000	2017 AED'000
Amounts payable under finance leases:		
Within one year	10,020	10,420
Between 2-5 years	72,592	83,722
	82,612	94,142
Less: Finance charges applicable to future years	(24,815)	(34,061)
Present value of lease obligations	57,797	60,081
Within one year	2,593	2,531
Between 2-5 years	55,204	57,550
	57,797	60,081
Less: Current portion	(2,593)	(2,531)
Non-current portion	55,204	57,550

On 28 November 2017, the Group entered into a finance lease agreement to support the acquisition of vessels from GST. The liability is payable on a monthly basis at the rate of AED 28,548 per day for the period of 5 years and a final repayment of AED 44,718 thousand on 29 November 2022. During the year, the Group repaid an amount of AED 7,410 thousand (2017: AED 226 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

16 BANK BORROWINGS

	2018 AED'000	2017 AED'000
Current		
Bank borrowings	323,835	313,736
Non-current		
Bank borrowings	78,695	61,713

The movements of bank borrowings are summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Total AED'000
Balance at 1 January 2018	305,385	70,064	-	-	375,449
Add: availed during the year	-	-	30,000	59,377	89,377
Less: repaid during the year	(51,704)	(8,351)	(2,241)	-	(62,296)
Balance at 31 December 2018	253,681	61,713	27,759	59,377	402,530
Less: current portion	(253,681)	(8,351)	(2,426)	(59,377)	(323,835)
Non-current portion	-	53,362	25,333	-	78,695
Average nominal interest rate	2.86%	5.87%	6.08%	5.67%	5.12%

The movements of bank borrowings are summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Total AED'000
Balance at 1 January 2017	351,132	-	-	-	351,132
Add: availed during the year	-	74,239	-	-	74,239
Less: repaid during the year	(45,747)	(4,175)	-	-	(49,922)
Balance at 31 December 2017	305,385	70,064	-	-	375,449
Less: current portion	(305,385)	(8,351)	-	-	(313,736)
Non-current portion	-	61,713	-	-	61,713
Average nominal interest rate	1.89%	5.5%	-	-	3.70%

Term loan I
The term-loan of AED 676,331 thousand was availed by the Group to acquire chemical tankers costing AED 795,684 thousand. This loan carries finance cost at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 279,874 thousand by 31 March 2019. A repayment of AED 51,704 thousand was made during the year (2017: AED 45,747 thousand).

Term loan II
Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at EIBOR plus 3.5% per annum and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. A repayment of AED 8,351 thousand was made during the year (2017: AED 4,175 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

16 BANK BORROWINGS (continued)

Term loan III
Term loan of AED 30,000 thousand was availed by the Group to support acquisition and conversion of an oil stimulation vessel. This loan carries interest at EIBOR plus 3.5% per annum and is payable in 27 equal quarterly instalments commencing from 7 December 2018 with final payment on 7 June 2025. A repayment of AED 2,241 thousand was made during the year.

Term loan IV
Term loan of AED 59,377 thousand (net of arrangement fees) was availed to the support acquisition of livestock vessels. This loan carries interest at EIBOR plus 3.0% per annum and is payable in 16 quarterly instalments commencing from 29 May 2019 with final payment 29 November 2023.

Term loans I, II, III and IV above are covered by various forms and combinations of security which include:

- assignment of related vessels mortgage;
- pledge of shares of subsidiaries owning these vessels; and
- corporate guarantee by the parent company, intermediate parent and/or associated companies.

The significant covenants for the above term loans include the following:
- the current assets at all times exceed the current liabilities;
- maintain at all times a cash and cash equivalents balance of over a certain percentage of the net debt;
- ensure that the consolidated market adjusted equity is over a certain percentage of the consolidated total market adjusted assets; and
- ensure that the aggregate free market value of the vessels is over a certain percentage of the net debt

As at 31 December 2018, the Group remained in technical breach of specified covenants with its lenders for term loan I and IV. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 31 December 2018. The Group's management are in discussions with the lenders to regularise the loan and do not believe that these loans will be called by the lenders.

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2018 AED'000	2017 AED'000
Balance at 1 January	1,480	1,830
Charge for the year (Note 23)	390	439
Payments during the year	(230)	(789)
Balance at 31 December	1,640	1,480

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 2018 and 2017, 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% (2017: 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% (2017: 2.54%). The present values of the obligations at 31 December 2018 and 2017 are not materially different from the provision computed in accordance with the UAE Labour Law.

18 TRADE AND OTHER PAYABLES

	2018 AED'000	2017 AED'000
Non-current		
Provisions and other payables	-	81,008
Current		
Trade payables	37,141	12,768
Dividend payable	10,600	10,638
Advance from customers	7,138	2,199
Consideration payable on acquisition of a business (Note 7.1)	20,000	-
Interest payable on borrowings	3,491	6,972
Tax accrual	13,220	2,263
Other loans	-	9,150
Dry-docking related accruals	9,728	-
Provisions and other payables	28,484	9,560
	129,802	53,550
	129,802	134,558

Provisions and other payables as at 31 December 2017 amounting to AED 81,008 thousand related to claims, unfavourable arbitration awards, and other contingencies has been reclassified as "current liability" wherein AED 61,430 thousand was settled during the year. The Group was able to derecognise liabilities totalling AED 8,727 thousand during the year ended31 December 2018 (2017: AED 31,673 thousand) which is included within 'Liabilities no longer required written back' in the consolidated statement of comprehensive income.

19 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities that has control, joint control or significant influence over the Group. Pricing policies and terms of these transactions are approved by the Group's management.
Related party transactions:
During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions:

	2018 AED'000	2017 AED'000
Finance income - due from a related party	-	1,202
Purchase of vessels, property and equipment	-	262,681

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

	2018 AED'000	2017 AED'000
Current		
Gulf Stolt Tankers DMCCO (Joint venture) (ii)	1,017	3,371

For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management remuneration

	2018 AED'000	2017 AED'000
Salaries, benefits, end of service benefits and directors' fees	6,294	5,801
End of service benefits	74	76

The key management remuneration excludes expenses reimbursed amounting to AED 169 thousand (2017: AED 283 thousand).

20 OPERATING REVENUE

	2018 AED'000	2017 AED'000
Vessel chartering	132,192	120,535
Shipping services	13,563	11,296
Marine products sales and distribution	407	2,475
Technical services	549	2,746
Ship management	366	875
	147,077	137,927

21 OPERATING COSTS

	2018 AED'000	2017 AED'000
Vessel chartering:		
Ship running - vessels	60,571	33,196
Ship running – crew boats	3,821	4,326
Vessel depreciation (excluding crew boats)	45,374	35,603
Amortisation of dry docking costs	7,169	3,771
Ship repair	1,250	760
Shipping services:		
Operating costs	9,848	7,505
Marine products sales and distribution	210	2,032
Technical services	158	1,773
	128,401	88,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 AED'000	2017 AED'000
Staff costs (Note 23)	17,780	17,209
Professional fees	14,112	594
Foreign exchange loss	4,210	500
Other administrative expenses	7,762	7,727
	43,864	26,030

The Group did not make any social contributions during the year ended 31 December 2018 (2017: Nil).

23 STAFF COSTS

	2018 AED'000	2017 AED'000
Salaries and wages	13,757	13,569
Employees' end of service benefits (Note 17)	390	439
Other benefits	3,633	3,201
	17,780	17,209

24 EARNINGS PER SHARE

	2018	2017
(Loss) / Profit for the year (AED'000)	(40,116)	40,730
Number of shares (Note 12)	919,209,250	551,666,666
Basic earnings per share	AED (0.047)	AED 0.074
Diluted earnings per share	AED (0.046)	AED 0.074

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares in issue. On 18 November 2018, the Group issued 100,000,000 Islamic convertible bonds which have an impact on diluted earnings per share.

25 FINANCE COSTS

	2018 AED'000	2017 AED'000
Bank borrowings	21,422	10,156
Other loans	770	1,999
Bank charges	101	68
	22,293	12,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

26 OPERATING LEASES AS A LESSOR

The Group leases its marine vessels under operating leases (time charters). The lease rental is usually negotiated to reflect market rentals upon entering into/renewal of the charter. Future minimum lease rentals receivable under the non-cancellable operating leases (excluding those owned by the joint venture) are as follows:

	2018 AED'000	2017 AED'000
Not later than one year	106,578	98,541
Between one year and five years	395,495	390,448
Beyond five years	6,880	81,089
	508,953	570,078

27 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 AED'000	2017 AED'000
Financial assets		
Loans and receivables		
Trade and other receivables (excluding advance to suppliers and prepayments)	56,318	20,782
Due from a related party	1,017	3,371
Cash and bank balances	34,279	38,673
	91,614	62,826
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding advance from customers and dividend payable)	112,064	121,573
Bank borrowings	402,530	435,529
	514,594	557,102

28 COMMITMENTS

(a) Capital expenditure commitment

The capital expenditure commitment of Group amounted to AED 4,026 thousand (2017: Nil).

(b) Operating lease commitments

The commitments with respect to non-cancellable operating leases is as follows:

	2018 AED'000	2017 AED'000
Not later than 1 year	1,070	1,076
Later than one year and no later than 5 years	2,580	3,901
	3,650	4,977

29 GUARANTEES

	2018 AED'000	2017 AED'000
Bank guarantees	105	300

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

30 DIVIDEND

There is no dividend proposed for 2018 (2017: AED Nil).

31 CONTINGENT LIABILITIES

Legislation and regulations regarding legal ownership, taxation and foreign currency transactions are constantly evolving in a number of territories in which the Group operates. The various legislation and registrations are not always clearly written and their interpretation is subject to the opinions of the local and national authorities. Instances of inconsistent opinions between local and national authorities are not unusual.

The Group policy is to accrue a loss in the accounting period in which such loss is deemed probable and the amount is reasonably determinable (see note 18).

The Group operations and financial position will continue to be affected by political developments including the application of existing and future legislation and regulations. The Group is satisfied that these contingencies, as related to its operations, are not any more significant than those of similar enterprises operating in its industry and territories.

32 SUBSEQUENT EVENT

On 18 February 2019, the Company increased its authorised capital from AED 919,209 thousand to AED 1,019,209 thousand. Further, the Sukuk was converted into 100,000,000 shares in the Company.

33 OTHER MATTER

As of 31 December 2018, the Group does not have any investments in or other exposure to Abraaj Holdings, its subsidiaries or any of the funds managed by Abraaj Holdings or any of its subsidiaries.

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