Gulf Navigation Holding PJSC

2016 ANNUAL **REPORT**

TOTAL INNOVATION

Change & Transformation

CONTENTS

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.

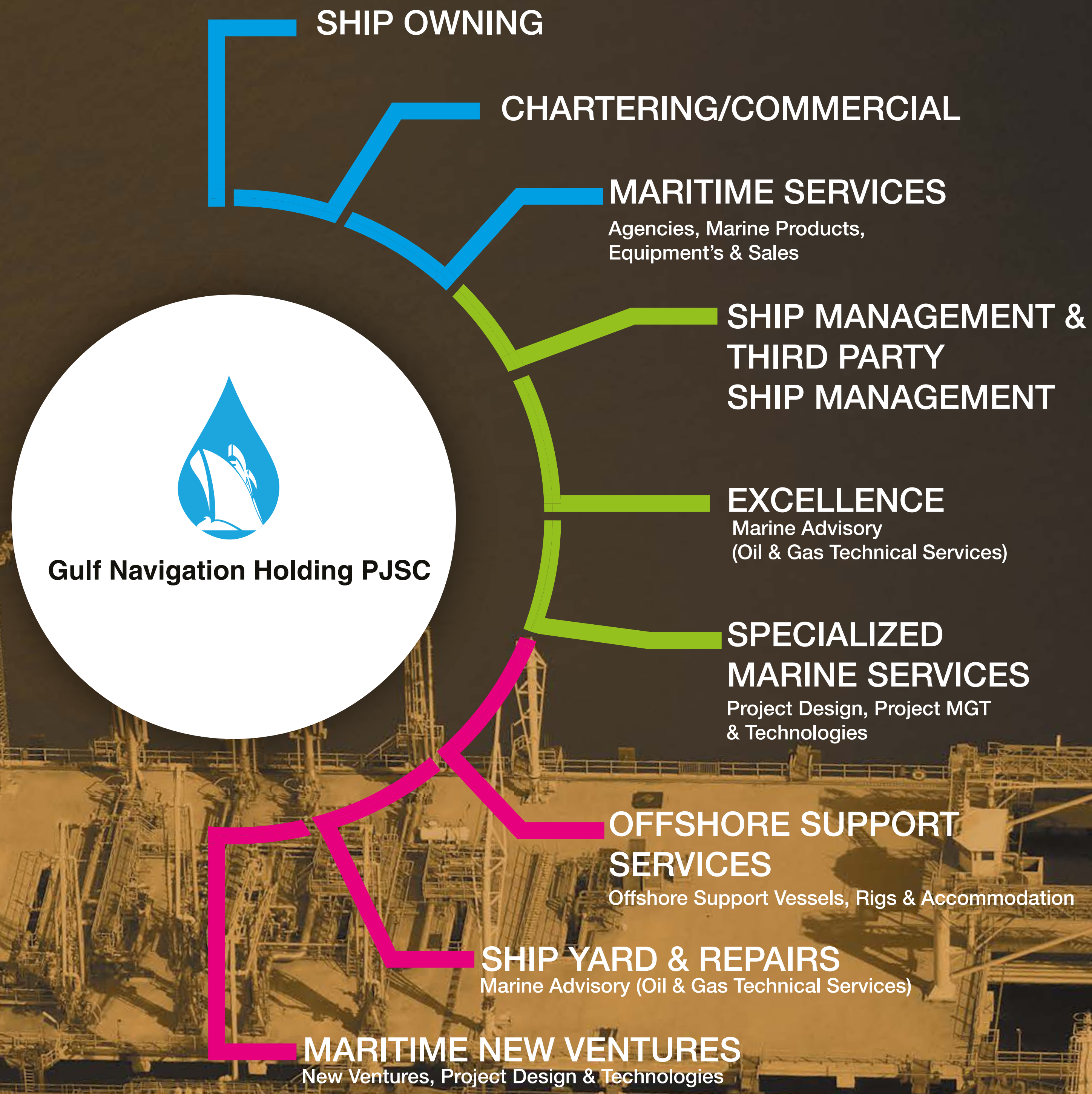
We pride ourselves on being the only Publicly Listed Marine/Maritime Company in the UAE with a Global reach.

Owns, operate, manage 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.

BUSINESS SEGMENTS...



COMPANY'S VISION...

Our vision Serves as the Framework for our "broad Vision to a new horizon" and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainible, quality growth.

People: Inspired, innovative and committed to the corporation to be the best they can be.

Portfolio: An integrated and diversified portfolio of maritime & offshore quality service based on time at budget.

Partners: Nurture a winning network of stakeholders and business partners together we create mutual, enduring value.

Profit: Maximize return to stakeholders while being mindful of our overall responsibilities to our business partners & environment.

Productivity: Refocusing the business, doing things smarter, being cost conscious, effective and increasing productivity and effectiveness.

MISSION...

Our new horizon starts with our mission. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions.

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

To improve all aspects of our business and be totally proactive & innovative opportunities spire moments of optimism and happiness.

To build & enhance our capabilities and create additional value to our stakeholders and business partners.

To sharpen our knowledge for the changing horizon, value creation & transformation.

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 of cooperation for the benefit of our company and partners.

Integrity: We uphold the highest values, work ethic and integrity.

Accountability: We will be responsible for our actions.

Quality: Provide superior quality services with excellence.

Our Strategic Spheres مجالات التأثير لنشاطاتنا الإستراتيجية

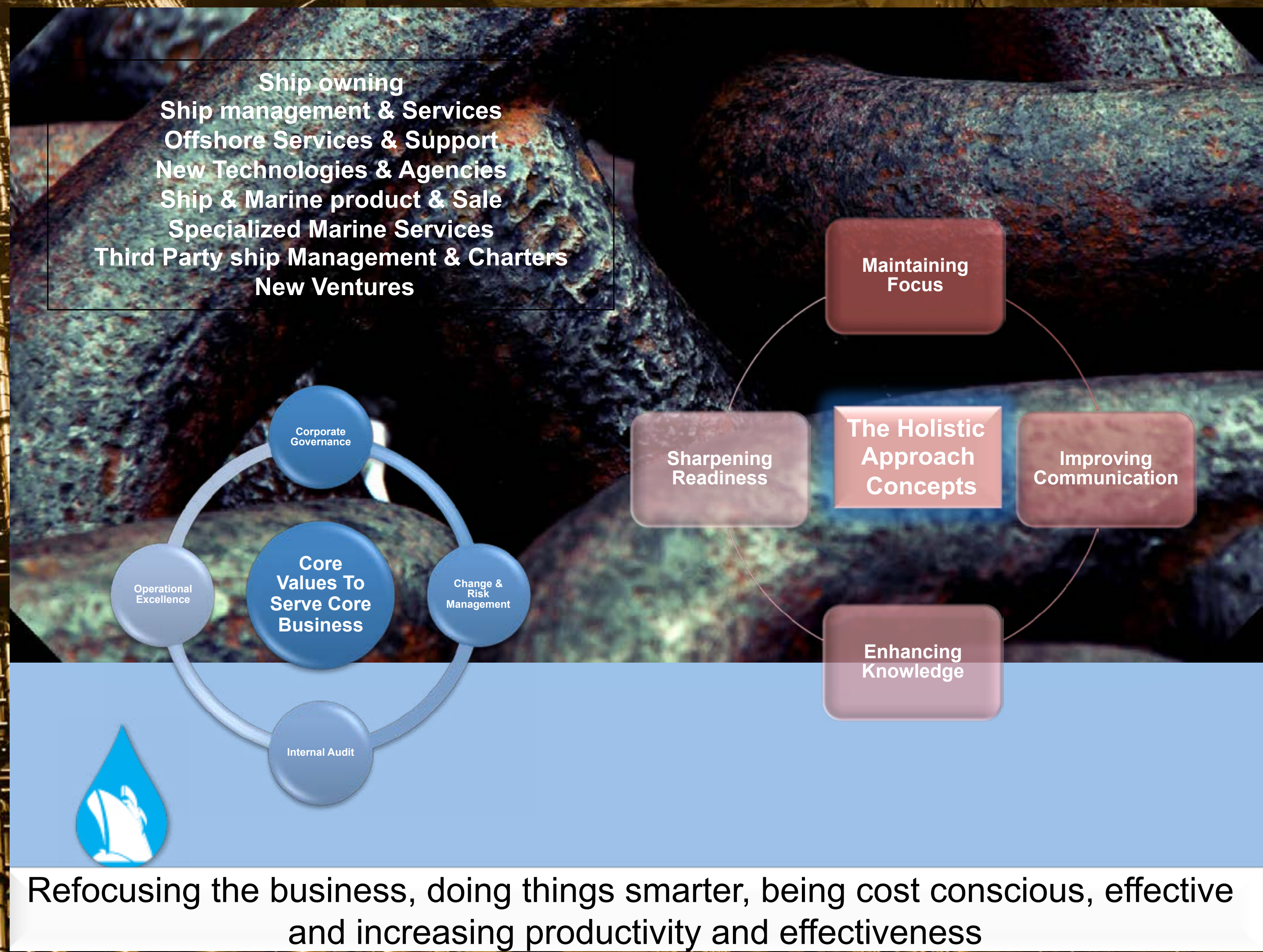
Immediate Sphere Impact - MENA region, Indian subcontinent, Eastern Africa
Secondary Sphere Impact - Europe, South East Asia, Australia and Western Africa
Cross Territorial Sphere Impact - Pacific Ocean, Brazil, USA

FLEET OVERVIEW...

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

A BROAD VISION TO A NEW HORI ZON

"Total integrated and synergized Organization with multifunctional business"



CHAIRMAN'S STATEMENT

ABDULLA SAEED ABDULLA BROOK ALHEMEIRI

- Chairman of the Board

Our honorable shareholders,

We are pleased to say that Gulf Navigation Holding Group achieved the highest profits and expansions in the year 2016 for which I was honored to be its Chairman of the Board. I thank extraordinary efforts of the honorable board directors, the executive management, and our honorable shareholders.

Gulf Navigation Holding Group made a great success through achieving the financial and strategic goals. The Holding Group achieved the highest profits of year 2016 compared to past years where the profits were AED 136.57 million compared to AED 20.17 million on the same period of the year 2015, with a percentage of 577%. Gulf Navigation Holding Group seeks to expand the scope of businesses of the company in order to achieve the development and growth of the company in the next period. Expansions include the increase of assets, fleets, diversification of investments and maritime services. The company, recently on 2016, entered into agreements with regional and international partners. This had an impact in increasing the profits and added value for shareholders.

Our success depends on our capability to identify commercial opportunities inside the country and overseas and benefit from them through collaboration between local experts and global companies.

For this end, the company works hard to execute current agreements and increase the number of vessels as this investment will lead to a great increase in profits and added value of shareholders.

This is because it is expected that oil production in Gulf States will have a percentage of 22% increase. Besides, Middle East is considered one of the largest oil producers as it produces 32% of world production. This percentage is expected to reach 33% on year 2035. Hence, requirements of maritime transportation in Middle East will rise.

We are confident of our vast resources of technical expertise and know-how in the local and global market and a solid reputation that had been built through decades of serving clients in Middle East and all over the world. We strive for innovation and quality in line with international quality standards & to achieve the highest profits in the different sectors of our operation.

On behalf of the Board of Directors and its employees, I thank all shareholders and partners for their continued support and confidence in Gulf Navigation Holding.

MANAGING DIRECTOR & GROUP CEO'S STATEMENT

KHAMIS JUMA KHAMIS BUAMIM

- Managing Director & Group CEO

Our honorable shareholders,

2016 was the year of change, renewal and reengineering for Gulf Navigation Holding Group, a year of many challenges and previous accumulations. We had combined efforts and support to enable our company to transform in a short period of time. The process of transformation required a radical change in thinking & business and a clear vision of the market variables, whether local, regional or international and it was necessary to renew and stimulate business with the many global economic variables and complexity.

We have adopted a strategic plan for the Gulf Navigation Group and its companies until 2025 based on the concepts of “The Holistic Approach”. It is a roadmap that outlines the future to support the process of growth and development and diversification of income sources in line with change, knowledge and continuous innovation. We have committed ourselves to the concepts of change and modernization through the implementation of integrated policies that contribute to the develop of our business and provide the appropriate environment for innovation, creativity and outstanding performance of our employees. The strategy includes six main axes that aim at developing business, partnership and transition the Gulf Navigation Holding Company to a new horizon of upward growth, innovative and continuous development in enhancing its presence on the field of marine transport, maritime and specialized shipping services and promoting advanced marine business concepts and empowering our employees through the company's values of "winning culture".

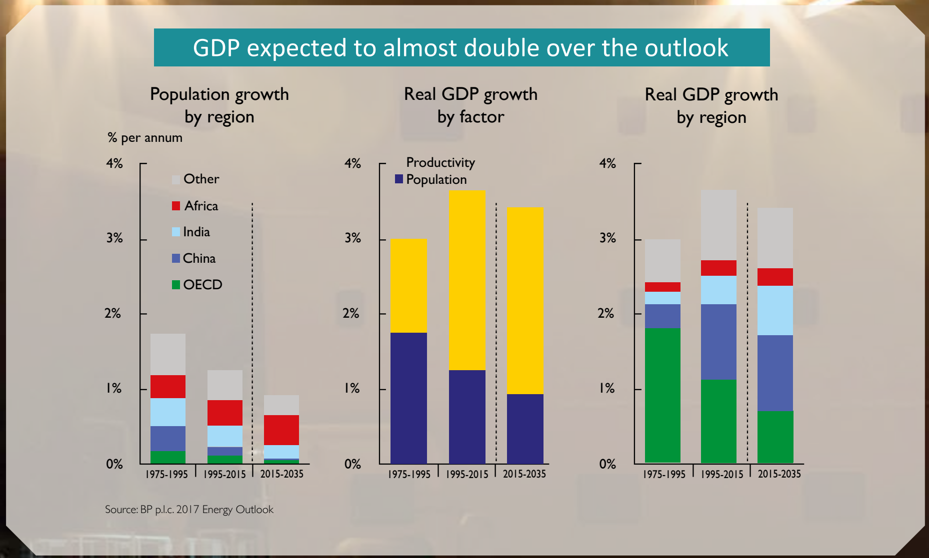
The financial results for 2016 are part of the success of our ongoing efforts to transform Gulf Navigation Holding into one of the most innovative and competitive companies in the specialized marine industry. Where the continuity of development and diversification of sources of income and resources in the field of chemical, oil products tankers and comprehensive marine services. We have also made giant strides in resolving a large number of outstanding financial issues. We will continue to implement our strategic plans, which will enhance our global position in terms of evaluation, capacity, operational efficiency and will enhance our global position in terms of evaluation, capacity, operational efficiency and reach our goals.

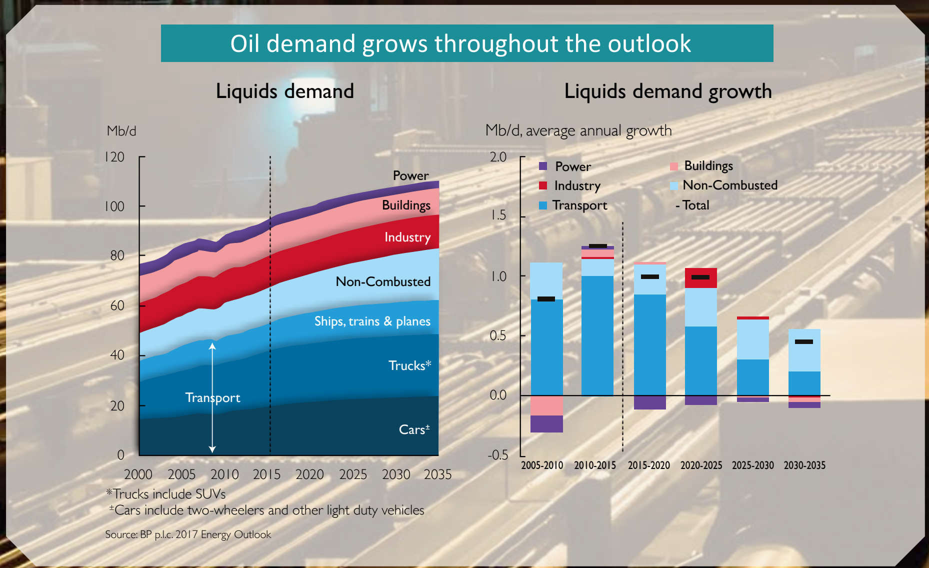
The company achieved a significant profit growth of 577% at the end of 2016 compared to the previous year 2015. The company issued the latest audited financial statements as the data indicate a strong financial transformation. According to the financial report, profits for the year ended 31 December 2016 amounted to AED 136.57 million (US $ 37.31 million), which is much higher than the AED 20.17 million (US $ 5.51 million) profit for the year 2015.

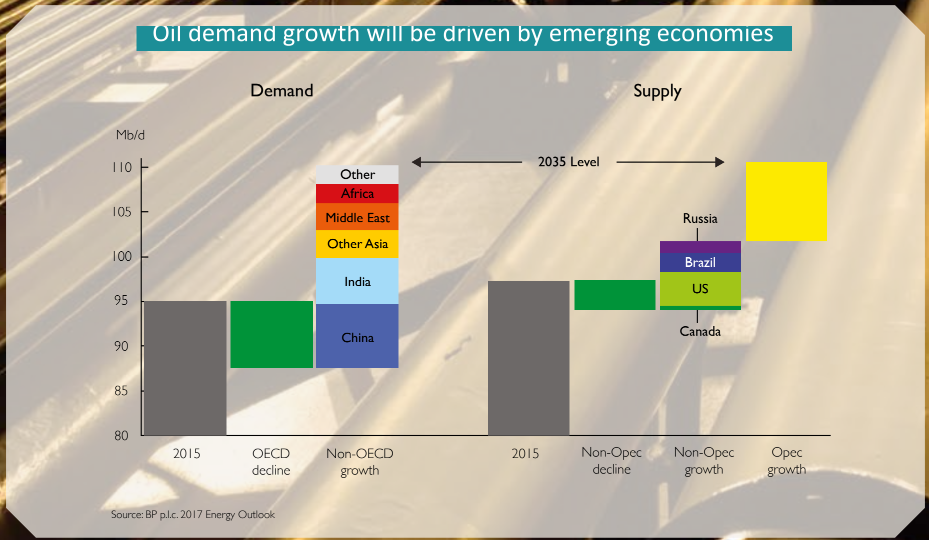
In line with the company's strategic plans and its relentless pursuit of opportunities and building diverse global strategic partnerships to develop the maritime sector in the region, diversify its sources of income and become a multi-business enterprise, we have entered into several regional and global strategic partnerships that give us diverse opportunities and ability to grow and serve the world not only in the field of ship ownership and management, but also in various areas, including marine services and agencies, ship maintenance and building, marine technical consultancy and marine project management, which will contribute to the company's vision of diversifying its business, increasing assets and value added to shareholders and providing integrated maritime and marine services in accordance with the highest international quality, standards, security and safety.

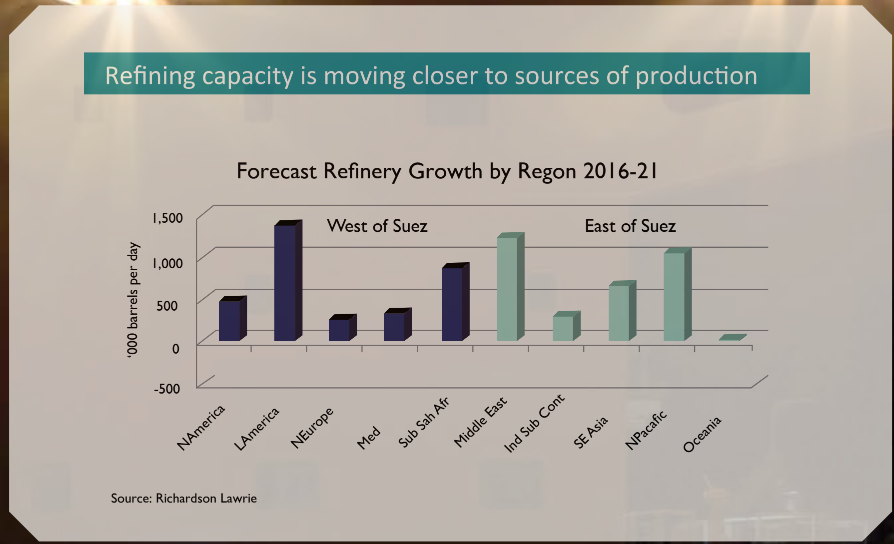
I extend my thanks to the members of the Board of Directors, our employees, our partners, and our shareholders for their outstanding efforts to support the growth and development of our company and make it one of the leading companies in the field of maritime industries.

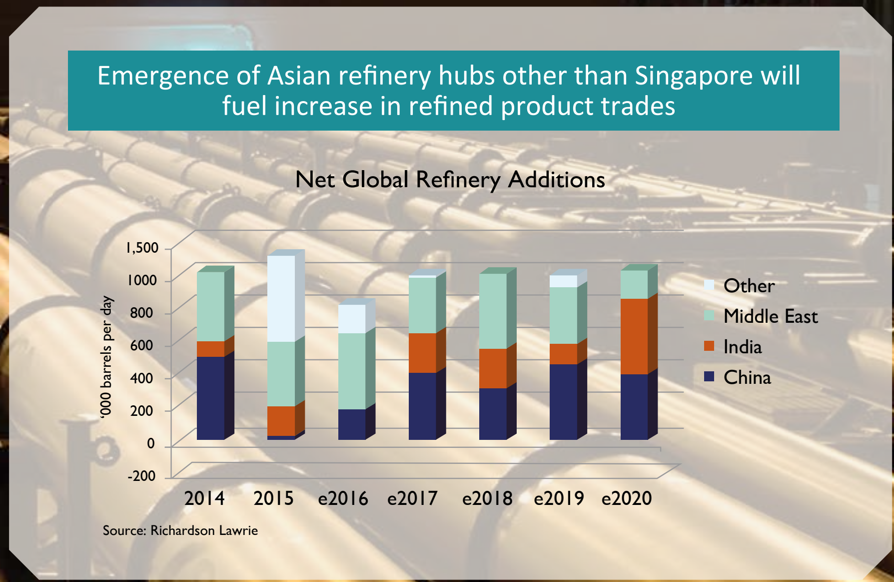
INDUSTRY OVERVIEW











"There has also been an increase in the average voyage length for product tankers – predominantly due to the rise in Middle Eastern refining.…this pattern of change, which can be characterized as a shift in refinery capacity to the east of the Suez, has further to run with the Middle East and the North Pacific being two key areas of forecast refinery capacity growth in the period 2016-2021."

Source: Richardson Lawrie

THE BOARD OF DIRECTORS & SENIOR MANAGEMENT

Abdulla Saeed Abdulla Brook Alhemeiri
Chairman of the Board

Anas Sobhi Ahmed Atatreh
Vice Chairman of Board / Chairman Nomination & Remuneration Committee

Mohammad Ziad Tariq Raslan Alhawari
Chairman Audit Committee / Member Nomination & Remuneration Committee

Khamis Juma Khamis Buamim
Board Member, Managing Director & Group CEO

Magid Attalla Al-Shamrokh
Member Audit Committee

Ahmad M. F. A. Al Kilani
Member Audit Committee / Member Nomination & Remuneration Committee

Khamis Juma Khamis Buamim
Board Member, Managing Director and Group CEO

Omar Abuomar
President,
Maritime and Operations Management

Duncan Sawyer
Chief Finance Officer

Richard Lim
Head of Finance and Accounts,
Maritime and Operations Management

Mustafa Behzat
General Manager,
Gulf Ship Management DMCC

Arden Tahtaburun
General Manager,
Gulf Navigation Polimar Maritime LLC

Mohammed Valli
Head of Internal Controls Department

Reena Sebastian
Legal Advisor

THE

BOARD COMMITTEES & CORPORATE GOVERNANCE

Audit Committee:

Board of Directors have formed an Audit Committee with the mandate to review/monitor the integrity of financial statements, accounting policies and procedures, external auditors', risk management and internal controls mechanism.

The Audit Committee comprises of three non-executive members: (i) Mr. Mohammed Alhawari – Chairman, (ii) Mr. Ahmed Kilani – Member and (iii) Mr. Magid Al Shamrokh – Member.

Nomination & Remuneration (N&R) Committee:

N&R Committee oversee the board nomination procedures, independence of board members, remunerations, human resources structure, and other duties as stipulated in the applicable corporate governance rules and regulations.

The Committee comprises of three non-executive members: (i) Mr. Anas Atatreh – Chairman, (ii) Mr. Ahmed Kilani – Member and (iii) Mr. Mohammed Alhawari – Member.

Governance:

GNH has fully adopted and implemented the relevant corporate governance rules as set out by Securities and Commodities Authority (SCA) in relation to the public shareholding companies. Adopting and implementing the corporate governance framework is a primary objective of both the Board of Directors (BoD) and the executive management; which helps to ensure transparency and protect/safeguard the interest of stakeholders. GNH is fully committed to apply the corporate governance standards and other related best practices which have been captured/documented via 'Corporate Governance Manual', duly approved by the executive management and the board. This manual governs the activities/functions of the Company and lays clear framework, roles and responsibilities of the BoD, board committees, executive management, external auditors, investor relations, internal controls, code of conduct, related parties, etc.

Internal Controls Department (ICD):

ICD is mainly responsible for providing reasonable assurance and insight over the operating effectiveness of internal controls, risk management and governance to the management and the board of directors. In addition, ICD supports/advices the management in terms of regulatory compliance, best practices, value addition and sound control environment which may help the group to achieve its objectives/targets in an efficient manner. Risk-based audit is the adopted methodology by the ICD whilst executing the internal audit assignments, and the audit plans are reviewed/discussed and duly approved by the management and Audit Committee. ICD reports to the MD & Group CEO and board, under the stewardship of the Audit Committee to ensure objectivity and independence of the function.

Code of Conduct:

GNH has a formal documented code of conduct/ethics in place for its employees, management and the board which covers independence, confidentiality, equality, integrity, etc. Annual declaration is given by the personnel to ensure that code of conduct is being properly implemented and followed across the group.

Confidential Reporting:

GNH is committed to providing a workplace conducive to open discussions on its business practices, code of conduct, policies and procedures, improvement opportunities, etc. It is GNH's policy to comply with all applicable laws, regulations, and standards that protect employees against unlawful discrimination or retaliation as a result of their lawfully reporting of wrongdoings/ misconduct/suspected fraud/etc. The mechanism and procedures of such type of reporting have been adequately laid down by the company.

Insider Trading Committe:

Committee exists to review/monitor the insiders' shares trading (for board members and employees) on a periodic basis, through annual declaration forms. The Committee also maintains the statutory register of insiders. The Committee members comprise of three members: (a) Head of Internal Controls Dept., (b) Legal Advisor and (c) Board Secretary.

Corporate Governance Report:

The detailed version of the Corporate Governance Report 2016 is available on the company website (www.gulfnav.com) and Dubai Financial Market website (www.dfm.ae).

Directors' Report
&
Consolidated Financial Statements

for the year ended 31 December 2016

FINANCIAL HIGHLIGHTS 2014 - 2016

	2016 AED'000	2015 AED'000	2014 AED'000
Revenues	142,539	143,183	127,700
Profit/(loss) for the year	136,573	20,172	10,028
Operating cash flows*	56,864	58,641	49,519
Net cash generated from operations	40,055	50,729	41,914
Capital expenditure	(298)	(25)	(4,282)
Basic & diluted EPS	0.248 AED	0.037 AED	0.018 AED

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

Directors' Report

for the year ended 31 December 2016

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 2016. 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 2017.

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 2016 are set out on page 31 of these consolidated financial statements.

Going concern

The Group's ability to carry on as a going concern is driven by continued availability of external debt financing and/or additional equity and the Group's ability to close out remaining disputes with counter-parties. Consistent with this objective, the current management and Board of Directors have been very active in engaging with all counter-parties and negotiating for the best possible terms to settle, refinance and/or restructure specified liabilities and align them with the Group's expected future cash flows. As a result of such efforts, the Group was able to derecognise liabilities totalling AED 107,768 thousand during the year ended 31 December 2016, which contributed along with improved profitability to increasing the Group's net equity by AED 136,573 thousand; from AED 311,397 thousand as of 31 December 2015 to AED 447,970 thousand as of 31 December 2016.

Management intends to follow through on its current focus on:

(1) completing negotiations with remaining counter-parties;
(2) curing or securing waivers in respect of covenant breaches;
(3) correcting the current working capital gap; and
(4) wiping out legacy accumulated losses.

As of the date of authorisation of these consolidated financial statements, the discussions with counter-parties are in progress and the Group believes that a mutually acceptable arrangement will be reached with all parties. The Directors, after reviewing the Group's improving profitability; available sources of funding (either through bank loan or fresh equity including issuance of mandatory convertible bonds as approved by AGM 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 and after reviewing the status of the Group's legal defence, and plans for negotiating a settlement in respect of the adverse awards, have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing these consolidated financial statements.

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 M. F. A. AL Kilani	(Director)
Mr. Mohammad Ziad Tariq Raslan Alhawari	(Director)
Mr. Magid Attalla Al-Shamrokh	(Director)
Mr. Khamis Juma Khamis Buamim	(Director – appointed on 19 April 2016)
Mr. Fraih Saeed Hilal Fraih Al Qubaisi	(Director – resigned on 25 August 2016)
Mr. Pathikrit Tapan Banerjee	(Director - resigned on 13 April 2016)

Auditors

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

Signed by:

Abdulla Saeed Abdulla Brook Al Hemeiri
Chairman

Independent Auditor's Report

to the shareholders of Gulf Navigation Holding PJSC

Report on the Consolidated Financial Statements

Our opinion

We have audited the accompanying 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 2016, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 2016, 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 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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.

Revenue recognition – determination of whether the Group is acting in the capacity of a principal rather than an agent,

The Group has a number of revenue streams including the provision of shipping services. There is a risk of improper revenue recognition, particularly as a result of incorrect determination of whether the Group is acting as a principal or an agent in certain arrangements.

For new and one-off fee revenue transactions we evaluated the appropriateness of its accounting treatment through verification of the legal agreements and supporting the amounts recognised in the financial statements to the invoices and cash receipts. We tested a sample of new distribution agreements and revenue sharing contracts entered into during the year to verify that the Group's determination that they are acting as a principal rather than an agent is appropriate. We checked the Group's adherence to its revenue recognition policy as described in Note 2.3 and reviewed the compliance of these policies with IFRS.

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.

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 2016 and evaluated the adequacy of the related disclosures as required by IFRS.

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 135,999 thousand as of 31 December 2016 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;

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.

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;
- 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 matter

The consolidated financial statements for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on the consolidated financial statements for the year ended 31 December 2015 on 12 February 2016.

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 Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and 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 Company'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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the 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 Company'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 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 Company 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 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.

We communicate with those charged with governance 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 those charged with governance with 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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 2016;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 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 2016; and

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

For Ernst & Young

Anthony O'Sullivan
Partner
Registration No.: 687

Dubai, United Arab Emirates

12 February 2017

Consolidated statement of financial position

At 31 December 2016

	Notes	2016 AED'000	2015 AED'000 (Restated)
ASSETS			
Non-current assets			
Vessels, property and equipment	6	616,678	651,387
Goodwill	7	135,999	135,999
Investment in joint ventures	8	117,238	109,177
Due from a related party	19	35,672	33,419
		905,587	929,982
Current assets			
Inventories	10	8,168	7,682
Trade and other receivables	11	19,857	25,385
Due from a related party	19	-	192
Cash and bank balances	12	25,344	33,267
		53,369	66,526
TOTAL ASSETS		958,956	996,508
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Group			
Share capital	13	551,667	551,667
Statutory reserve	14	15,674	2,017
Accumulated losses		(119,371)	(242,287)
Net equity		447,970	311,397
LIABILITIES			
Non-current liability			
Provision for employees' end of service benefits	17	1,830	1,967
Current liabilities			
Bank borrowings	16	366,095	430,506
Trade and other payables	18	142,688	244,226
Due to related parties	19	373	8,412
		509,156	683,144
TOTAL LIABILITIES		510,986	685,111
TOTAL EQUITY AND LIABILITIES		958,956	996,508

The consolidated financial statements were authorised for issuance on 12 February 2017 by the Board of Directors and signed on its behalf by:

Abdulla Saeed Abdulla Brook Al Hemeiri

Chairman

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 AED'000	2015 AED'000 (Restated)
Gross income	20	142,539	143,183
Less: Agency income	20	(13,033)	(8,526)
Operating revenue	20	129,506	134,657
Operating costs	21	(83,665)	(91,121)
Gross profit		45,841	43,536
Other income		2,907	3,018
General and administrative expenses	22	(26,869)	(23,453)
Operating profit		21,879	23,101
Finance income		2,264	2,128
Finance costs	26	(7,560)	(7,680)
Finance costs - net		(5,296)	(5,552)
Gain arising on acquisition of a joint venture		1,638	-
Liabilities no longer required written back	16, 18	107,768	-
Share of net profit of joint ventures	8	10,584	2,623
Profit for the year		136,573	20,172
Earnings per share			
- Basic and diluted (AED)	24	0.248	0.037
Other comprehensive income for the year		-	-
Total comprehensive income for the year		136,573	20,172

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2015	551,667	32,549	(292,991)	291,225
Offset of statutory reserve against accumulated losses (Note 14)	-	(32,549)	32,549	-
Profit and total comprehensive income for the year	-	-	20,172	20,172
Transfer to statutory reserve (Note 14)	-	2,017	(2,017)	-
Balance at 31 December 2015	**551,667**	**2,017**	**(242,287)**	**311,397**
Profit and total comprehensive income for the year	-	-	136,573	136,573
Transfer to statutory reserve (Note 14)	-	13,657	(13,657)	-
Balance at 31 December 2016	**551,667**	**15,674**	**(119,371)**	**447,970**

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 AED'000	2015 AED'000
OPERATING ACTIVITIES			
Profit for the year		136,573	20,172
Adjustments for:			
Depreciation	6	35,070	35,192
Share of net profit in joint ventures	8	(10,584)	(2,623)
Provision for employees' end of service benefits	17	475	348
Reversal of provision for employers' end of service benefits	17	(560)	-
Gain on acquisition of a joint venture	9	(1,638)	-
Liabilities no longer required written back	18	(90,566)	-
Borrowings no longer required written back	16	(17,202)	-
Finance costs	26	7,560	7,680
Finance income		(2,264)	(2,128)
Operating cash flows before working capital changes		56,864	58,641
Changes in working capital:			
Inventories		(486)	(99)
Due from a related party		192	-
Trade and other receivables		1,222	(2,466)
Trade and other payables		(7,942)	(4,821)
Due to related parties		(8,039)	(404)
		41,811	50,851
Employees' end of service benefits paid	17	(1,756)	(122)
Net cash flows from operating activities		40,055	50,729
INVESTING ACTIVITIES			
Purchase of vessels, property and equipment	6	(298)	(25)
Finance income received		11	11
Acquisition of a joint venture, net of cash acquired	9	97	-
Transfer to restricted cash		(3,687)	(3,889)
Withdrawal of term deposits	25	-	127
Net cash flows used in investing activities		(3,877)	(3,776)
FINANCING ACTIVITIES			
Repayment of bank borrowings	16	(42,903)	(39,484)
Finance costs paid		(4,885)	(4,149)
Net cash flows used in financing activities		(47,788)	(43,633)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,610)	3,320
Cash and cash equivalents at the beginning of year		16,229	12,909
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	12	4,619	16,229

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
At 31 December 2016

1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC ("the Company") was incorporated on 30 October 2006 as a Public Joint Stock Company and is registered in accordance with UAE Federal Law No (2) of 2015. The Company is listed in 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 and operations through its subsidiaries as listed below. The Company operates from the 32nd Floor, Suite Number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates ("UAE"). The Company and its following directly or indirectly wholly owned subsidiaries are (together referred to as "the Group") in the consolidated financial statements:

Subsidiaries	Principal activities	Country of incorporation	% Equity interest 2016	2015
G N H Maritime Ship Management & Operations Owned by Gulf Navigation Holding One Person Company L.L.C	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 Ship FZE*	Ship Chandling, Ship Brokerage and Ship Chartering	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 Maritime LLC	Sea Shipping Lines Agents etc.	UAE	100	100
Gulf Ship Management DMCC	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 Sheba Shipping Limited	Ship Owning	Hong Kong	100	100
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
Branches				
Gulf Navigation Holding DMCC (Br)	Ship Charter etc.	UAE	100	100
Gulf Navigation Holding PJSC (Br)	Ship Charter etc.	Kingdom of Saudi Arabia	100	100
GNH Maritime & Operations LLC - Abu Dhabi **	Ship Charter etc.	UAE	100	100

* ceased operations on 2 February 2017

** in process of establishment

The Group also has interests in the following jointly controlled entity

Jointly controlled entity/associate	Country of incorporation	Percentage of shareholding
Gulf Stolt Tankers DMCCO ("GST")	UAE	50%

The Federal Law No. 2 of 2015 concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No.8 of 1984. On 15 June 2016, the Company held a general assembly in which the shareholders approved certain amendments to the Articles of Association of the Company required by the new law. The shareholders also approved in the same general assembly the Company's activities to be in accordance with Islamic Sharia. Lastly, the shareholders approved a resolution to set the authorised share capital of the Company as AED 1,000,000,000.

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 2016. 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

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.

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 (Note 9).

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.

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

The Group's ability to carry on as a going concern is driven by continued availability of external debt financing and/or additional equity and the Group's ability to close out remaining disputes with counter-parties. Consistent with this objective, the current management and Board of Directors have been very active in engaging with all counter-parties and negotiating for the best possible terms to settle, refinance and/or restructure specified liabilities and align them with the Group's expected future cash flows. As a result of such efforts, the Group was able to derecognise liabilities totalling AED 107,768 thousand during the year ended 31 December 2016, which contributed along with improved profitability to increasing the Group's net equity by AED 136,573 thousand; from AED 311,397 thousand as of 31 December 2015 to AED 447,970 thousand as of 31 December 2016.

Management intends to follow through on its current focus on:

(1) completing negotiations with remaining counter-parties;
(2) curing or securing waivers in respect of covenant breaches;
(3) correcting the current working capital gap; and
(4) wiping out legacy accumulated losses.

As of the date of authorisation of these consolidated financial statements, the discussions with counter-parties are in progress and the Group believes that a mutually acceptable arrangement will be reached with all parties. The Directors, after reviewing the Group's improving profitability; available sources of funding (either through bank loan or fresh equity including issuance of mandatory convertible bonds as approved by AGM 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 and after reviewing the status of the Group's legal defence, and plans for negotiating a settlement in respect of the adverse awards, have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing 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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the consolidated financial statements of the Group.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments will have not an impact on the Group as there has been no interest acquired in a joint operation during the year.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the consolidated statement(s) of profit or loss and OCI and the consolidated statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception the amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

(b) Standards, amendments and interpretations in issue but not effective:

The 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 standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Indefinitely)
- IAS 7 Disclosure Initiative – Amendments to IAS 7 (1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (1 January 2017)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2 (1 January 2017)
- IFRS 16 Leases (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 Dollar ("USD") or currencies pegged to the USD, the functional currency of the entities is USD. However, the consolidated financial statements of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

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'.

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.

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

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

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

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

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.

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.

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.

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 Group, 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 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.

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

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

All other assets are classified 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.

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 profits and equity of the Group would have changed by AED 1,942 thousand for the year ended 31 December 2016 (2015: AED 2,148 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.

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) 2016	2015	2016 AED'000	2015 AED'000
				Banks
A	A1	A1	10,082	14,214
B	Aa3	Aa3	10,677	10,880
C	Aa3	Aa3	4	2,656
D	A2	A2	23	88
E	Baa1	A1	3	3
F	Baa1	Baa1	1	2
G	Baa2	Baa1	1	1
H	A3	Unrated	4,328	3,866
I	A1	Unrated	15	1,244
Cash at bank (note 12)			25,134	32,954

The credit risk related to trade and other receivables is disclosed in Note 11.

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 2016			
Trade and other payables (excluding advance from customers and dividend payable)	131,329	131,329	131,329
Due to related parties	373	373	373
Bank borrowings	366,095	*366,095	*366,095
	497,797	497,797	497,797

	Carrying amount AED'000	Contractual cash flows AED'000	Less than 1 year AED'000
At 31 December 2015			
Trade and other payables (excluding advance from customers and dividend payable)	223,403	223,403	223,403
Due to related parties	8,412	8,412	8,412
Bank borrowings	430,506	*430,506	*430,506
	662,321	662,321	662,321

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

The future finance cost in respect of bank borrowings amounts to AED 19,231 thousand (2015: AED 17,352 thousand). The payment profile of this finance cost is as follows:

	2016 AED'000	2015 AED'000
Not later than one year	5,237	5,389
Between one year and five years	13,994	11,963
	19,231	17,352

3.2 CAPITAL RISK MANAGEMENT
The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business thereby increasing shareholder's value and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust

the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents 'bank borrowings' and 'loan from third parties' 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.

	2016 AED'000	2015 AED'000
Total borrowings (Note 16 and Note 18)	377,075	441,486
Cash and cash equivalents (Note 12)	(4,619)	(16,229)
Net debt	372,456	425,257
Total equity	447,970	311,397
Total capital	820,426	736,654
Gearing ratio	45.4%	57.7%

3.3 FAIR VALUE ESTIMATION

The Group did not have any other financial assets or liabilities that are measured at fair value at 31 December 2016 and 2015.

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.

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.

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.

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 9,933 thousand (31 December 2015: AED 28,422 thousand) with provision for doubtful debts of AED 235 thousand (31 December 2015: AED 16,073 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.

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.

Estimated 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).

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 2016 and 2015, 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 6.3%, headroom equates to AED 752,716 thousand. However, when using a rate of 9.5%, which is in line with best practices, headroom falls to AED 22,209 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 & 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 & 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.

	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	106,645	3,285	2,443	19,570	-	(2,437)	129,506
Operating costs	(71,730)	-	(1,850)	(12,522)	-	2,437	(83,665)
Other income	-	337	795	200	2,352	(777)	2,907
General and administrative expenses	(2,603)	(3,518)	(883)	(3,512)	(17,130)	777	(26,869)
Finance income	-	-	-	-	2,264	-	2,264
Finance costs	(5,808)	(25)	(2)	(26)	(1,699)	-	(7,560)
Gain arising on acquisition of a joint venture	-	-	-	-	1,638	-	1,638
Liabilities no longer required written back	17,202	-	-	-	90,566	-	107,768
Share of net profit of joint ventures	10,584	-	-	-	-	-	10,584
Reportable segment profit	54,290	79	503	3,710	77,991	-	136,573
At 31 December 2016							
Reportable segment assets	**646,851**	**12,647**	**6,131**	**45,147**	**1,204,801**	**(956,621)**	**958,956**
Reportable segment liabilities	**986,298**	**8,408**	**3,693**	**9,584**	**418,862**	**(915,859)**	**510,986**

	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	110,796	-	3,447	20,414	-	-	134,657
Operating costs	(74,614)	-	(2,354)	(14,153)	-	-	(91,121)
Other income	-	-	842	54	2,122	-	3,018
General and administrative expenses	(2,161)	-	(964)	(2,431)	(17,897)	-	(23,453)
Finance income	-	-	-	-	2,128	-	2,128
Finance costs	(5,851)	-	(2)	(32)	(1,795)	-	(7,680)
Share of net profit in jointly controlled entities	2,623	-	-	-	-	-	2,623
Reportable segment profit / (loss)	30,793	-	969	3,852	(15,442)	-	20,172
At 31 December 2015							
Reportable segment assets*	**682,099**	**-**	**6,093**	**39,851**	**1,182,853**	**(914,388)**	**996,508**
Reportable segment liabilities*	**1,063,693**	**-**	**4,127**	**9,484**	**485,945**	**(878,138)**	**685,111**

* Certain numbers shown here reflect reclassification adjustments within the Group's business segments. The total reportable segment assets and liabilities remain unchanged.

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 2016	892,514	2,545	1,804	270	503	108,045	1,005,681
Additions –							
JV acquisition (note 9)	-	32	23	8	-	-	63
Additions	-	60	201	9	28	-	298
At 31 December 2016	**892,514**	**2,637**	**2,028**	**287**	**531**	**108,045**	**1,006,042**
Accumulated depreciation and impairment losses	241,462	2,362	1,682	268	475	108,045	354,294
At 1 January 2016 Charge for the year	34,800	100	146	5	19	-	35,070
At 31 December 2016	**276,262**	**2,462**	**1,828**	**273**	**494**	**108,045**	**389,364**
Net book amount							
At 31 December 2016	**616,252**	**175**	**200**	**14**	**37**	**-**	**616,678**

	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 2015	892,514	2,545	1,779	270	503	108,045	1,005,656
Additions	-	-	25	-	-	-	25
At 31 December 2015	**892,514**	**2,545**	**1,804**	**270**	**503**	**108,045**	**1,005,681**
Accumulated depreciation and impairment losses							
At 1 January 2015	206,492	2,279	1,567	266	453	108,045	319,102
Charge for the year	34,970	83	115	2	22	-	35,192
At 31 December 2015	**241,462**	**2,362**	**1,682**	**268**	**475**	**108,045**	**354,294**
Net book amount							
At 31 December 2015	**651,052**	**183**	**122**	**2**	**28**	**-**	**651,387**

Vessels with a net book value of AED 611,258 thousand (2015:AED 645,475 thousand) as at 31 December 2016 are mortgaged as security for bank borrowings (Note 16).

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.The Group is in communications with the Contractor to arrange for a settlement of these balances.

7 GOODWILL

	2016 AED'000	2015 AED'000
Goodwill	135,999	135,999

The goodwill as of 31 December 2016 relates to goodwill 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.

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.

	2016	2015
Growth rate	2%	2%

Discount rates

Discount rate of 6.3% (2015: 9.7%) reflects management's benchmark for evaluating investment proposals. For sensitivity analysis, please refer to Note 4.

8 INVESTMENT IN JOINT VENTURES

	2016 AED'000	2015 AED'000
Balance at 1 January	109,177	106,554
Share of net profit in joint ventures	10,584	2,623
Acquisition of one of the joint ventures	(2,523)	-
Balance at 31 December	**117,238**	**109,177**

As at 31 December 2016, investment in joint ventures represents the Group's 50% interest in Gulf Stolt Tankers DMCCO whose principal activity is ship owning which was formed in accordance with a joint venture agreement with Stolt-Nielsen Indian Ocean Middle East Service Limited.

On 18 April 2016, the Group assumed 100% ownership of Gulf Stolt Ship Management JLT by acquiring the shares held by its joint venture partner Stolt-Nielsen Indian Ocean and Middle East Service Limited. The entity has since been renamed Gulf Ship Management DMCC. The financial results of Gulf Ship Management DMCC are now included in the consolidated financial statements of the Group. The Group has provisionally assessed the purchase price in relation to the fair value of net assets acquired and recognised a gain on acquisition of AED 1,638 thousand in the consolidated statement of comprehensive income on the date of acquisition. Note 9 below provides further detail on this business combination.

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

Gulf Stolt Ship Management JLT (GSSM)

	2016 AED'000	2015 AED'000
Current assets	-	7,183
Non-current assets	-	68
Current liabilities	-	(780)
Non-current liabilities	-	(1,656)
Net assets	**-**	**4,815**
Revenue	1,139	7,645
Expenses	(1,573)	(7,175)
(Loss) / Profit for the year	**(434)**	**470**

Gulf Stolt Tankers DMCCO

	2016 AED'000	2015 AED'000
Current assets	57,611	35,336
Non-current assets	536,489	565,507
Current liabilities	(288,432)	(321,719)
Non-current liabilities	(71,344)	(66,836)
Net assets	**234,324**	**212,288**
Revenue	127,522	110,201
Expenses	(105,486)	(105,425)
Profit for the year	**22,036**	**4,776**

The Group did not invest in stocks and shares during the year ended 31 December 2016 (2015: AED Nil).

9 BUSINESS COMBINATION

The fair values of the identifiable assets and liabilities of Gulf Stolt Ship Management JLT as of the date of acquisition were:

	Recognised on acquisition AED'000	Carrying value AED'000
Equipment	63	63
Trade and other receivables	6,462	6,462
Cash and bank balances	97	97
	6,622	**6,622**
Less:		
Provision for employees end of service benefits	(1,704)	(1,704)
Trade and other payables	(757)	(757)
	(2,461)	**(2,461)**
Fair value of net assets acquired	4,161	
Acquisition date fair value of initial 50% interest *	(2,523)	
Gain arising on acquisition	(1,638)	
Consideration for 100% interest acquired on 18 April 2016	**0.004**	

Cash inflow on acquisition	
Cash paid on acquisition	(0.004)
Cash acquired with subsidiary	97
Net cash inflow on the acquisition of joint venture	**97**

From the date of acquisition, Gulf Ship Management DMCC has contributed a profit of AED 79 thousand to the Group's operating profit. If the acquisition had taken place at the beginning of the year, operating profit for the year would have been lower by AED 438 thousand.

10 INVENTORIES

	2016 AED'000	2015 AED'000
Spare parts	6,838	6,154
Vessel oil and lubricants	1,266	1,450
Others	64	78
	8,168	**7,682**

Inventory consumption for the year was AED 4,300 thousand (2015: AED 5,618 thousand).

11 TRADE AND OTHER RECEIVABLES

	2016 AED'000	2015 AED'000
Current		
Trade receivables	9,933	28,422
Provision for impairment of trade receivables	(235)	(16,073)
	9,698	12,349
Advance to suppliers	1,343	1,580
Prepayments	2,245	1,878
Other receivables	6,571	9,578
	19,857	**25,385**

As at 31 December 2016, trade receivables of AED 9,698 thousand (2015: AED 12,349 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	2016 AED'000	2015 AED'000
Up to 150 days	7,501	9,825
More than 150 days	2,197	2,524
	9,698	**12,349**

As at 31 December 2016, trade receivables with a nominal value of AED 235 thousand (2015: AED 16,073 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2016 AED'000	2015 AED'000
Balance at 1 January	16,073	16,088
Amounts written off	(15,838)	(15)
Balance at 31 December	**235**	**16,073**

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.

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.

12 CASH AND BANK BALANCES

	2016 AED'000	2015 AED'000
Cash on hand	210	313
Cash at bank	25,134	32,954
Cash and bank balances	25,344	33,267
Restricted cash	(20,725)	(17,038)
Cash and cash equivalents	**4,619**	**16,229**

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

13 SHARE CAPITAL

	2016 AED'000	2015 AED'000
Issued and fully paid up:		
551,666,666 shares of AED 1 each	**551,667**	**551,667**

Authorised

The shareholders approved a resolution to set the authorised share capital of the Company as AED 1,000,000,000 (2015: AED 551,667).

14 STATUTORY RESERVE

A resolution was obtained from the shareholders during the EGM convened on 30 April 2015 to reduce the accumulated losses to the extent of the statutory reserve as at 31 December 2014 of AED 32,549 thousand as a result of which accumulated losses have fallen below one-half (1/2) of the share capital.

As required by the UAE Federal Law No. (2) of 2015, and the Company›s Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve. The 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 13,657 thousand (2015: AED 2,017 thousand) was transferred to the statutory reserve.

15 DERIVATIVE FINANCIAL INSTRUMENTS

There were no financial instrument contracts entered into during the years ended 31 December 2016 and 2015.

16 BANK BORROWINGS

	2016 AED'000	2015 AED'000
Current		
Bank borrowings	**366,095**	**430,506**

The movement of bank borrowings are summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED'000
Balance at 1 January 2016	6,518	394,035	29,953	430,506
Repaid during the year	-	(42,903)	-	(42,903)
Offset (refer to note below)	(811)	-	(3,495)	(4,306)
Liabilities no longer required	(3,074)	-	(14,128)	(17,202)
Balance at 31 December 2016	**2,633**	**351,132**	**12,330**	**366,095**
Average nominal profit rate	**2.00%**	**1.41%**	**2.00%**	**1.8%**

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED'000
Balance at 1 January 2015	6,518	433,519	29,953	469,990
Repaid during the year	-	(39,484)	-	(39,484)
Balance at 31 December 2015	**6,518**	**394,035**	**29,953**	**430,506**
Average nominal profit rate	**2.00%**	**1.00%**	**2.00%**	**1.09%**

Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire a vessel costing AED 402,600 thousand. This loan carried finance cost at LIBOR plus 0.7% per annum and was payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. The balance as of 31 December 2016 represents the shortfall after applying the proceeds from the sale of the related vessel. Offset represents netting of liability against a corresponding asset.

Term loan II

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 42,903 thousand was made during the year.

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire a vessel costing AED 337,295 thousand. This loan carried finance cost at LIBOR plus 2.8% per annum and was payable in 23 quarterly instalments commencing from 26 April 2011. The balance as of 31 December 2016 represents the shortfall after applying the proceeds from the sale of the related vessel. Offset represents netting of liability against a corresponding asset.

The above bank loans are secured by the following:

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

The significant covenants for the above loans are as follows:

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

At 31 December 2016, the Group has outstanding technical breaches in respect of specified covenants. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 December 2016. Notwithstanding that the breaches have rendered the loans to be technically payable on demand, it had no effect on the timing of payments for principal and finance cost which remain in line with the original loan agreement. The Group's management is negotiating with the lenders to regularise the agreement in relation to term loan II.

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2016 AED'000	2015 AED'000
Balance at 1 January	1,967	1,741
Transfer from a joint venture on acquisition (Note 9)	1,704	-
Charge for the year (Note 23)	475	348
Reversals during the year	(560)	-
Payments during the year	(1,756)	(122)
Balance at 31 December	**1,830**	**1,967**

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 2016 and 2015, 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% (2015: 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% (2015: 2.54%). The present values of the obligations at 31 December 2016 and 2015 are not materially different from the provision computed in accordance with the UAE Labour Law.

18 TRADE AND OTHER PAYABLES

	2016 AED'000	2015 AED'000 (Restated)
Trade payables	6,567	10,528
Dividend payable	10,677	10,880
Advances from customers	682	9,943
Other loans	10,980	10,980
Other accruals and payables (see Note 26)	113,782	201,895
	142,688	**244,226**

Other accruals and payables at 31 December 2016 includes an amount of AED 91,148 thousand (2015: AED 179,215 thousand) with respect to unfavourable arbitration awards and related finance cost relating to two legal matters. The Group was able to derecognize liabilities totalling AED 90,566 thousand during the year ended 31 December 2016 which is included within 'Liabilities no longer required written back' in the consolidated statement of comprehensive income for the year ended 31 December 2016.

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. Determination of which relationships and transactions qualify for related party disclosure is done as part of the preparation of the consolidated financial statements and because of this loans from related parties of AED 10,980 thousand have been reclassified as Other loans in Trade and other payables (Note 18).

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:

	2016 AED'000	2015 AED'000
Finance income - due from a related party	2,253	2,117
Management fees charged by a jointly controlled entity	813	3,250

Related party balances:

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

	2016 AED'000	2015 AED'000
Due from a related party		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	35,672	33,419
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	-	192
Due to related parties		
Current		
Gulf Stolt Ship Management JLT (Joint venture)	-	6,173
Directors' fees	149	2,239
Gulf Stolt Tankers DMCCO (Joint venture)	224	-
	373	**8,412**

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

For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil).

Key management remuneration

	2016 AED'000	2015 AED'000
Salaries, benefits, end of service benefits and directors' fees	3,513	1,543
End of service benefits	99	24

The key management remuneration excludes expenses reimbursed amounting to AED 79 thousand (2015:AED 417 thousand).

20 GROSS INCOME AND OPERATING REVENUE

	2016 AED'000	2015 AED'000 (Restated)
Vessel chartering	106,645	110,796
Shipping services	30,975	28,877
Marine products sales and distribution	2,443	3,447
Technical services	1,628	63
Ship management	848	-
Gross income	142,539	143,183
Less:Agency income	(13,033)	(8,526)
Operating revenue	**129,506**	**134,657**

21 OPERATING COSTS

	2016 AED'000	2015 AED'000 (Restated)
Vessel chartering:		
Ship running - vessels	30,079	35,287
Ship running - crew boats	3,874	3,940
Vessel depreciation	31,893	32,064
Amortisation of dry docking costs	2,907	2,906
Ship repair	537	417
Shipping services:		
Operating costs	11,546	14,109
Marine products sales and distribution	1,850	2,354
Technical services	979	44
	83,665	**91,121**

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 AED'000	2015 AED'000
Staff costs (Note 23)	14,909	9,436
Legal claims	3,066	5,330
Professional fees	2,039	2,813
Other administrative expenses	6,855	5,874
	26,869	**23,453**

The Group did not make any social contributions during the year ended 31 December 2016 (2015: Nil).

23 STAFF COSTS

	2016 AED'000	2015 AED'000
Salaries and wages - existing	8,132	6,464
Salaries and wages - GSSM acquired in 2016	2,621	-
Employees' end of service benefits (Note 17)	475	348
Other benefits	3,681	2,624
	14,909	**9,436**

24 EARNINGS PER SHARE

	2016	2015
Profit for the year (AED'000)	136,573	20,172
Number of shares (Note 13)	551,666,666	551,666,666
Basic and diluted earnings per share	**AED 0.248**	**AED 0.037**

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

25 TERM DEPOSITS

	2016 AED'000	2015 AED'000
At 1 January	-	127
Withdrawals during the year	-	(127)
At 31 December	**-**	**-**

26 FINANCE COSTS

	2016 AED'000	2015 AED'000
Bank borrowings	5,929	5,964
Other loans (Note 18)	1,631	1,716
	7,560	**7,680**

27 OPERATING LEASES AS A LESSOR

The Group leases its marine vessels under operating leases (time charters). Time charters runs until 2023. 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:

	2016 AED'000	2015 AED'000
Not later than one year	99,127	99,127
Between one year and five years	391,197	392,533
Beyond five years	178,610	276,131
	668,934	**767,791**

28 FINANCIAL INSTRUMENTS BY CATEGORY

	2016 AED'000	2015 AED'000
Financial assets		
Loans and receivables		
Trade and other receivables (excluding advance to suppliers and prepayments)	16,269	21,927
Due from a related party	35,672	33,611
Cash and bank balances	25,344	33,267
	77,285	**88,805**
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding advance from customers and dividend payable)	131,329	223,403
Due to related parties	373	8,412
Bank borrowings	366,095	430,506
	497,797	**662,321**

29 COMMITMENTS

There was no capital expenditure contracted for at 31 December 2016 and 2015. The commitments with respect to non-cancellable operating leases is as follows:

	2016 AED'000	2015 AED'000
Not later than 1 year	734	908
Later than one year and no later than 5 years	152	1,153
	886	**2,061**

30 GUARANTEES

	2016 AED'000	2015 AED'000
Bank guarantees	100	1,120

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

31 DIVIDEND

There is no dividend is proposed for 2016 (2015:AED Nil).

32 PRIOR YEAR CORRESPONDING FIGURES

Certain prior year corresponding figures have been reclassified to conform to the current year's presentation. These are classified for better presentation and there is no impact on previously reported profit or equity.

	As previously reported AED'000	Restatements AED'000	Restated AED'000
Consolidated statement of financial position			
Trade and other payables	233,246	10,980	244,226
Loans from related parties	10,980	(10,980)	-
Consolidated statement of comprehensive income			
Operating revenue	143,183	(8,526)	134,657
Operating costs	(99,647)	8,526	(91,121)

الخليج للملاحة القابضة ش م ع

Gulf Navigation Holding PJSC

Maintaining Focus

Improving Communication

Enhancing Knowledge

Sharpening Readiness

3201, 32nd Floor, Saba Tower-1, Cluster E, Jumeirah Lakes Towers,
P.O. Box 49651, Dubai, United Arab Emirates

Tel: +971 4 427 0104, Fax: +971 4 427 0102
Email: investor.relations@gulfnav.com
Website: www.gulfnav.com