Gulf Navigation Holding PJSC
and its Subsidiaries

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Gulf Navigation Holding PJSC and its Subsidiaries
Directors' Report and Consolidated Financial Statements
For the year ended 31 December 2017

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017. 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 2018.

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 2017 are set out on page 9 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 31,673 thousand during the year ended 31 December 2017, which contributed along with improved profitability to increasing the Group's net equity by AED 56,651 thousand; from AED 447,970 thousand as of 31 December 2016 to AED 504,621 thousand as of 31 December 2017.

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.

On 28 December 2017, the Board authorised an increase in the Company's paid and issued share capital within the authorised capital by way of a rights issue and the issuance of new shares. As of date of authorisation of these consolidated financial statements, the issuance of the new shares pursuant to the Rights Issue has increased the Company's paid and issued share capital by 367,542,584 shares to 919,209,250 shares. The net proceeds of the Right Issue are being used to implement the Group's strategic growth plans.

The Directors, after reviewing the Group's improving profitability; available sources of funding (either through bank loan or fresh equity including issuance of sukuk 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' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Directors

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

Mr. Abdulla Saeed Abdulla Brook Alhemeiri (Chairman)
Mr. Anas Sobhi Ahmed Atatreh (Vice Chairman)
Mr. Ahmad Mohamed Fathi Kilani (Director)
Mr. Mohammad Ziad Tariq Raslan Alhawari (Director)
Mr. Magid Attalla Al-Shamrokh (Director)
Mr. Khamis Juma Khamis Buamin (Director)

Auditors

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

Signed by:

Abdulla Saeed Abdulla Brook Al Hemeiri
Chairman

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

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Gulf Navigation Holding PJSC (the "Parent Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

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

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

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.

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

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

Key audit matters (continued)

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

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 IFRSs.

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 2017 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 2017 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.

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

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

Key audit matters (continued)

Assessment of the carrying value of goodwill (continued)

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.

Provisions and contingencies

As disclosed in Notes 18 and 31 to the consolidated financial statements, the Group is involved in ongoing discussions regarding the resolution of liabilities and contingencies arising from the activities of the Group over a number of years. We consider this a key audit matter due to the subjectivity involved in management's judgments and estimates in assessing the amounts of present obligation which require to be provided for and/or disclosed.

We discussed with management their process for identifying liabilities and contingencies and for estimating the amount of present obligation to be provided. For significant contingencies and provisions, we reviewed available documentation for the Group and its counterparties and where deemed necessary, held discussions and obtained documents and representations from outside counsel. Based on these procedures we then assessed and challenged management's assessments. We also considered the related disclosures made in the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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 2017;

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 2017 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 2017; and

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

For Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration No: 687

25 March 2018

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	*2017* *AED'000*	*2016* *AED'000*
ASSETS			
Non-current assets			
Vessels, property and equipment	6	**843,354**	616,678
Goodwill	7	**135,999**	135,999
Investment in joint ventures	8	**300**	117,238
Due from a related party	19	**-**	35,672
		979,653	905,587
Current assets			
Inventories	10	**12,275**	8,168
Trade and other receivables	11	**42,217**	19,857
Due from a related party	19	**3,371**	-
Cash and bank balances	12	**38,673**	25,344
		96,536	53,369
TOTAL ASSETS		**1,076,189**	958,956
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**551,667**	551,667
Statutory reserve	14	**19,747**	15,674
Accumulated losses		**(80,247)**	(119,371)
Equity attributable to equity holders of the parent		**491,167**	447,970
Non-controlling interests		**13,454**	-
Total equity		**504,621**	447,970
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	17	**1,480**	1,830
Provisions and other payables	18	**81,008**	-
Finance leases	15	**57,550**	-
Bank borrowings	16	**61,713**	-
		201,751	1,830
Current liabilities			
Finance leases	15	**2,531**	-
Bank borrowings	16	**313,736**	366,095
Trade and other payables	18	**53,550**	142,837
Due to related parties	19	**-**	224
		369,817	509,156
Total liabilities		**571,568**	510,986
TOTAL EQUITY AND LIABILITIES		**1,076,189**	958,956

The consolidated financial statements were authorised for issuance on 25 March 2018 by the Board of Directors and signed on its behalf by:

Abdulla Saeed Abdulla Brook Al Hemeiri
Chairman

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Gross income	20	**142,165**	142,539
Less: Agency income	20	**(4,238)**	(13,033)
Operating revenue	20	**137,927**	129,506
Operating costs	21	**(88,966)**	(83,665)
Gross profit		**48,961**	45,841
Other income		**790**	2,907
General and administrative expenses	22	**(27,960)**	(26,869)
Operating profit		**21,791**	21,879
Finance income		**1,299**	2,264
Finance costs	25	**(12,223)**	(7,560)
Finance costs - net		**(10,924)**	(5,296)
Gain arising on acquisition of a joint venture		**-**	1,638
Liabilities no longer required written back	16, 18	**31,673**	107,768
Share of net (loss) / profit of joint ventures	8	**(1,810)**	10,584
PROFIT FOR THE YEAR		**40,730**	136,573
Other comprehensive income for the year		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**40,730**	136,573
Attributable to:			
Equity holders of the parent		**39,952**	136,573
Non-controlling interests		**778**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**40,730**	136,573
Earnings per share			
- Basic and diluted (AED)	24	**0.074**	0.248

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the parent					
	Share capital AED'000	*Statutory reserve AED'000*	*Accumulated losses AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2016	551,667	2,017	(242,287)	311,397	-	311,397
Total comprehensive income for the year	-	-	136,573	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	-	447,970
Dilution of investment in a subsidiary (Note 2.1)	-	-	3,245	3,245	12,676	15,921
Total comprehensive income for the year	-	-	39,952	39,952	778	40,730
Transfer to statutory reserve (Note 14)	-	4,073	(4,073)	-	-	-
Balance at 31 December 2017	**551,667**	**19,747**	**(80,247)**	**491,167**	**13,454**	**504,621**

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
OPERATING ACTIVITIES			
Profit for the year		**40,730**	136,573
Adjustments for:			
Depreciation	6	**39,126**	35,070
Share of net loss (profit) in joint ventures	8	**1,810**	(10,584)
Provision for employees' end of service benefits	17	**439**	475
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	16, 18	**(31,673)**	(107,768)
Vessels, property and equipment written off		**26**	-
Finance costs	25	**12,223**	7,560
Finance income		**(1,299)**	(2,264)
Operating cash flows before working capital changes		**61,382**	56,864
Changes in working capital:			
Inventories		**(4,107)**	(486)
Due from a related party		**2,799**	192
Trade and other receivables		**(6,256)**	1,222
Trade and other payables		**6,484**	(7,942)
Due to related parties		**(224)**	(8,039)
		60,078	41,811
Employees' end of service benefits paid	17	**(789)**	(1,756)
Net cash flows from operating activities		**59,289**	40,055
INVESTING ACTIVITIES			
Purchase of vessels, property and equipment	6	**(121,197)**	(298)
Finance income received		**1,299**	11
Acquisition of a joint venture, net of cash acquired	9	**-**	97
Transfer from / (to) restricted cash		**10,087**	(3,687)
Net cash flows used in investing activities		**(109,811)**	(3,877)
FINANCING ACTIVITIES			
Proceeds from new borrowings	15, 16	**134,546**	-
Funds invested by non-controlling interests		**2,562**	-
Repayment of borrowings	15, 16	**(50,148)**	(42,903)
Finance costs paid		**(13,022)**	(4,885)
Net cash flows generated from / (used in) financing activities		**73,938**	(47,788)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**23,416**	(11,610)
Cash and cash equivalents at the beginning of year		**4,619**	16,229
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	12	**28,035**	4,619
Restricted cash		**10,638**	20,725
TOTAL CASH AND BANK BALANCES		**38,673**	25,344
Significant non-cash movements			
Purchase of vessels, property and equipment		**(144,631)**	-

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

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 on the Dubai Financial Market. The Company is primarily engaged in sea transport of oil and petroleum products and similar commodities, ship charter, shipping lines of freight and passenger transportation, sea freight and passenger charters, shipping services, sea shipping lines agents, clearing and forwarding services, cargo loading and unloading services, cargo packaging, sea cargo services and ship management operations through its subsidiaries as listed below. The Company operates from the 39th Floor, API Trio Tower, Al Barsha, Dubai, United Arab Emirates ("UAE"). The Company and its following directly or indirectly owned subsidiaries are together referred to as the "Group" in these consolidated financial statements:

Subsidiaries	*Principal activities*	*Country of incorporation*	*% Equity interest 2017*	*2016*
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC (previously known as 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 Polimar Maritime LLC (Previously known as Gulf Navigation Maritime LLC) **	Sea Shipping Lines Agents	UAE	**60**	100
Gulf Ship Management DMCC (*in the process of liquidation*)	Ship Management and Operation etc.	UAE	**100**	100
Gulf Navigation and Brokerage LLC	Ship Brokerage	Oman	**100**	100
Gulf Eyadah Corporation	Ship Owning	Panama	**100**	100
Gulf Huwaylat Corporation	Ship Owning	Panama	**100**	100
Gulf Deffi Corporation	Ship Owning	Panama	**100**	100
Gulf Jalmuda Corporation	Ship Owning	Panama	**100**	100
Gulf Fanatir Corporation	Ship Owning	Panama	**100**	100
Gulf Navigation Mishref Limited***	Ship Owning	Cayman Islands	**100**	n/a
Gulf Navigation Mirdif Limited****	Ship Owning	Cayman Islands	**100**	n/a
Gulf Navigation Sukuk Limited*****	Unlimited	Cayman Islands	**100**	n/a
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

* *ceased operations on 2 February 2017*
** *during the year, non-controlling interests acquired 40% of the existing shareholdings in this entity.*
*** *incorporated on 13 June 2017*
**** *incorporated 13 June 2017*
***** *incorporated on 7 December 2017*

The Group has the following branches:

Branch	*Principal activities*	*Country of incorporation*
Gulf Navigation Holding DMCC (Br)	Ship Charter, etc.	UAE
Gulf Navigation Holding PJSC (Br)	Ship Charter, etc.	Kingdom of Saudi Arabia

1 LEGAL STATUS AND ACTIVITIES (continued)

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%

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 2017. 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.

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

Subsidiaries

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

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

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 31,673 thousand during the year ended 31 December 2017, which contributed along with improved profitability to increasing the Group's net equity by AED 56,651 thousand; from AED 447,970 thousand as of 31 December 2016 to AED 504,621 thousand as of 31 December 2017.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Going concern (continued)
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.

On 28 December 2017, the Board authorised an increase in the Company's paid and issued share capital within the authorised capital by way of a rights issue and issuance of new shares. As of the date of authorisation of these consolidated financial statements, the issuance of the new shares pursuant to the Rights Issue increased the Company's paid and issued share capital by 367,542,584 shares to 919,209,250 shares. The net proceeds of the rights issue are being used to implement the Group's strategic growth plans.

The Directors, after reviewing the Group's improving profitability; available sources of funding (either through bank loan or fresh equity including issuance of sukuk 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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the consolidated financial statements of the Group.

- *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*
- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- *Annual Improvements Cycle-2014-2016 - Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

(b) Standards issued but not yet 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.

Management's assessment of impact on implementation of IFRS 9, 15 and 16 is presented below. Further, management does not expect material impact on the Group's consolidated financial statements on account of other standards, amendments and interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- ***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group expects no significant impact on its financial position and equity. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

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

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

(a) Rendering of services

The Group is primarily engaged in sea transport of oil and petroleum products and similar commodities, ship charter, shipping lines of freight and passenger transportation, sea freight and passenger charters, shipping services, sea shipping lines agents, clearing and forwarding services, cargo loading and unloading services, cargo packaging, sea cargo services and ship management operations. The services can be classified as chartering and shipping services. The revenues for chartering are recognised based on fixed daily rate while shipping services are recognised as per hired days only. The Company does not provide warranties or discounts relating to the services rendered. Thus, management expects that the adoption of IFRS 15 will not have a significant impact on the Group's revenue recognition.

- ***IFRS 16 Leases***

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- ***IFRS 16 Leases (continued)***

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

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

- ***Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred indefinitely)***

- ***IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2018)***

- ***IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018)***

- ***Transfers of Investment Property — Amendments to IAS 40 (effective for annual periods beginning on or after 1 January 2018)***

- ***Annual Improvements 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018)***

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's subsidiaries and jointly controlled entities (together, "entities") are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). Since most of the transactions of the entities are denominated in US Dollars ("USD") or currencies pegged to the USD, the functional currency of the entities is USD. However, the consolidated financial statements of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

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

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vessels, property and equipment (continued)
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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Market risk (continued)
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 1,530 thousand for the year ended 31 December 2017 (2016: AED 1,942 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)* ***2017***	*Rating (Moody's)* *2016*	***2017 AED'000***	*2016 AED'000*
Banks				
A	A2	A1	**17,561**	10,082
B	Aa3	Aa3	**10,639**	10,677
C	Baa1	Baa1	**9,427**	-
D	A3	A3	**779**	4,328
E	Aa3	Aa3	**4**	4
F	A3	A2	**3**	23
G	A1	Baa1	**3**	3
H	A3	Baa1	**1**	1
I	Baa1	Baa2	**1**	1
J	A1	A1	**-**	15
Cash at bank (note 12)			**38,418**	25,134

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 2017			
Trade and other payables (excluding advance from customers and dividend payable)	**121,721**	**121,721**	**40,713**
Bank borrowings	**375,449**	**375,449**	**313,736**
Finance leases	**60,081**	**60,081**	**2,531**
	557,251	**557,251**	**356,980**

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

Liquidity risk (continued)

	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

* 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 69,154 thousand (2016: AED 19,231 thousand). The payment profile of this finance cost is as follows:

	2017 AED'000	*2016 AED'000*
Not later than one year	**18,145**	5,237
Between one year and five years	**51,009**	13,994
	69,154	19,231

3.2 CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business thereby increasing shareholder's value and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents 'finance lease', 'bank borrowings' and 'other loans' (part of 'trade and other payables') as shown in the consolidated statement of financial position less 'cash and cash equivalents' as shown in the consolidated statement of cash flows. Total capital is calculated as 'total equity' as shown in consolidated statement of financial position plus net debt.

	2017 AED'000	*2016 AED'000*
Total borrowings (Notes 15, 16 and 18)	**444,680**	377,075
Cash and cash equivalents (Note 12)	**(28,035)**	(4,619)
Net debt	**416,645**	372,456
Total equity	**504,621**	447,970
Total capital	**921,266**	820,426
Gearing ratio	**45.2%**	45.4%

3 FINANCIAL RISK MANAGEMENT (continued)

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 2017 and 2016.

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 13,348 thousand (31 December 2016: AED 9,933 thousand) with provision for doubtful debts of AED 235 thousand (31 December 2016: AED 235 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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 2017 and 2016, 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 7.32%, headroom equates to AED 249,265 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.

5 OPERATING SEGMENTS (continued)

	Vessel owning and chartering AED'000	*Ship management AED'000*	*Marine product sales and distribution AED'000*	*Shipping and technical services AED'000*	*Other AED'000*	*Inter segment elimination AED'000*	*Total AED'000*
Operating revenue	120,535	4,253	2,475	14,041	-	(3,377)	137,927
Operating costs	(81,033)	-	(2,032)	(9,278)	-	3,377	(88,966)
Other income	-	-	730	-	1,229	(1,169)	790
General and administrative expenses	(2,769)	(4,979)	(484)	(3,466)	(17,431)	1,169	(27,960)
Finance income	7	-	11	39	1,242	-	1,299
Finance costs	(10,102)	(21)	(133)	(19)	(1,948)	-	(12,223)
Liabilities no longer required written back	-	-	-	-	31,673	-	31,673
Share of net loss of joint ventures	(1,810)	-	-	-	-	-	(1,810)
Reportable segment profit	**24,828**	**(747)**	**567**	**1,317**	**14,765**	**-**	**40,730**
At 31 December 2017							
Reportable segment assets	**732,398**	**15,967**	**3,684**	**22,589**	**1,264,777**	**(963,226)**	**1,076,189**
Reportable segment liabilities	**1,061,451**	**12,089**	**2,775**	**11,350**	**360,947**	**(877,044)**	**571,568**

5 OPERATING SEGMENTS (continued)

	Vessel owning and chartering AED'000	*Ship management AED'000*	*Marine product sales and distribution AED'000*	*Shipping and technical services AED'000*	*Other AED'000*	*Inter segment elimination AED'000*	*Total AED'000*
Operating revenue	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

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

6 VESSELS, PROPERTY AND EQUIPMENT (continued)

	Vessels AED'000	*Leasehold improvements AED'000*	*Equipment AED'000*	*Furniture & fixtures AED'000*	*Vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost							
At 1 January 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							
At 1 January 2016	241,462	2,362	1,682	268	475	108,045	354,294
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 with a net book value of AED 706,644 thousand (2016: AED 611,258 thousand) as at 31 December 2017 are mortgaged as security for bank borrowings (Note 16).
- Additions during the year include AED 129,143 (2016: AED Nil) of vessel under finance leases.
- The carrying value of vessel held under finance leases at 31 December 2017 was AED 128,481 thousand (2016: AED Nil).
- Leased assets are pledged as security for the related finance leases (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

	2017 AED'000	2016 AED'000
Goodwill	**135,999**	135,999

The goodwill as of 31 December 2017 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.

	2017	2016
Growth rate	**2%**	2%

Discount rates
Discount rate of 7.32% (2016: 6.3%) reflects management's benchmark for evaluating investment proposals. For sensitivity analysis, please refer to Note 4.

8 INVESTMENT IN JOINT VENTURES

	2017 AED'000	2016 AED'000
Balance at 1 January	**117,238**	109,177
Share of net (loss) / profit in joint ventures	**(1,810)**	10,584
Acquisition of one of the joint ventures	**-**	(2,523)
Advances given to joint ventures earlier now applied towards purchase of vessels	**(108,222)**	-
Partial return of non-reciprocal capital contribution	**(3,535)**	-
Reclassification of advances to due from a related party (Note 19)	**(3,371)**	-
Balance at 31 December	**300**	117,238

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 DM 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.

As at 31 December 2017, 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.

8 INVESTMENT IN JOINT VENTURES (continued)

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)

	2017	*2016*
	AED'000	*AED'000*
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	-	-
Revenue	-	1,139
Expenses	-	(1,573)
Loss for the year	-	(434)

Gulf Stolt Tankers DMCCO

	2017	*2016*
	AED'000	*AED'000*
Current assets	**16,109**	57,611
Non-current assets	-	536,489
Current liabilities	**(1,092)**	(288,432)
Non-current liabilities	-	(71,344)
Net assets	**15,017**	234,324
Revenue	**70,593**	127,522
Expenses	**(74,213)**	(105,486)
(Loss) / Profit for the year	**(3,620)**	22,036

The Group did not invest in stocks or shares during the year ended 31 December 2017 (2016: 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 (18 April 2016) 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 to 31 December 2016, Gulf Ship Management DMCC contributed a profit of AED 79 thousand to the Group's operating profit.

10 INVENTORIES

	2017 AED'000	*2016 AED'000*
Spare parts	**10,368**	6,838
Vessel oil and lubricants	**1,854**	1,266
Others	**53**	64
	12,275	8,168

Inventory consumption for the year was AED 4,869 thousand (2016: AED 4,300 thousand).

11 TRADE AND OTHER RECEIVABLES

	2017 *AED'000*	*2016* *AED'000*
Current		
Trade receivables	**13,348**	9,933
Provision for impairment of trade receivables	**(235)**	(235)
	13,113	9,698
Receivable on dilution of investment in a subsidiary (See note 2.1)	**14,640**	-
Advance to suppliers	**1,844**	1,343
Prepayments	**4,951**	2,245
Other receivables	**7,669**	6,571
	42,217	19,857

As at 31 December 2017, trade receivables of AED 13,113 thousand (2016: AED 9,698 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	2017 *AED'000*	*2016* *AED'000*
Up to 150 days	**7,829**	7,501
More than 150 days	**5,284**	2,197
	13,113	9,698

As at 31 December 2017, trade receivables with a nominal value of AED 235 thousand (2016: AED 235 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2017 *AED'000*	*2016* *AED'000*
Balance at 1 January	**235**	16,073
Amounts written off	**-**	(15,838)
Balance at 31 December	**235**	235

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

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

12 CASH AND BANK BALANCES

	2017 *AED'000*	*2016* *AED'000*
Cash on hand	**255**	210
Cash at banks	**38,418**	25,134
Cash and bank balances	**38,673**	25,344
Restricted cash	**(10,638)**	(20,725)
Cash and cash equivalents	**28,035**	4,619

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

13 SHARE CAPITAL

	2017 *AED'000*	*2016* *AED'000*
Authorised:		
1,000,000,000 shares of AED 1 each	**1,000,000**	1,000,000
Issued and fully paid up:		
551,666,666 shares of AED 1 each	**551,667**	551,667

14 STATUTORY RESERVE

As required by the UAE Federal Law No. (2) of 2015, and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances as stipulated by the law. During the year, an amount of AED 4,073 thousand (2016: AED 13,657 thousand) was transferred to the statutory reserve.

15 FINANCE LEASES

	2017 *AED'000*
Amounts payable under finance leases:	
Within one year	**10,420**
Between 2-5 years	**83,722**
	94,142
Less: Finance charges applicable to future years	**(34,061)**
Present value of lease obligations	**60,081**
Within one year	**2,531**
Between 2-5 years	**57,550**
	60,081
Less: Current portion	**(2,531)**
Non-current portion	**57,550**

15 FINANCE LEASES (continued)

On 28 November 2017, the Group entered into a finance lease agreement to support acquisition of vessels from GST. The liability is payable on a monthly basis at the rate of AED 28,548 per day for the period of 5 years and a final repayment of AED 43,005 thousand on 29 November 2022. During the year, the Group repaid an amount of AED 226 thousand.

16 BANK BORROWINGS

	2017 ***AED'000***	*2016* *AED'000*
Current		
Bank borrowings	**313,736**	366,095
Non-current		
Bank borrowings	**61,713**	-

The movement of bank borrowings are summarised as below:

	Term-loan I *AED'000*	*Term-loan II* *AED'000*	*Term-loan III* *AED'000*	*Term-loan IV* *AED'000*	*Total* *AED'000*
Balance at 1 January 2017	**2,633**	**351,132**	**12,330**	**-**	**366,095**
Add: availed during the year	**-**	**-**	**-**	**74,239**	**74,239**
Less: repaid during the year	**-**	**(45,747)**	**-**	**(4,175)**	**(49,922)**
Less: settlement during the year (Note 19)	**(2,633)**	**-**	**(12,330)**	**-**	**(14,963)**
Balance at 31 December 2017	**-**	**305,385**	**-**	**70,064**	**375,449**
Less: current portion	**-**	**(305,385)**	**-**	**(8,351)**	**(313,736)**
Non-current portion	**-**	**-**	**-**	**61,713**	**61,713**
Average nominal interest rate	**n/a**	**1.89%**	**n/a**	**5.5%**	**3.70%**

16 BANK BORROWINGS (continued)

	Term-loan I AED'000	*Term-loan II AED'000*	*Term-loan III AED'000*	*Term-loan IV AED'000*	*Total AED'000*
Balance at 1 January 2016	6,518	394,035	29,953	-	430,506
Less: repaid during the year	-	(42,903)	-	-	(42,903)
Offset (refer to the 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
Less: current portion	(2,633)	(351,132)	(12,330)	-	(366,095)
Non-current portion	-	-	-	-	-
Average nominal interest rate	2.00%	1.41%	2.00%	n/a	1.8%

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 interest at LIBOR plus 0.7% per annum and was payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. Remaining shortfall related to this loan has been settled in February 2017.

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 45,747 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 interest at LIBOR plus 2.8% per annum and was payable in 23 quarterly instalments commencing from 26 April 2011. Remaining shortfall related to this loan has been settled in February 2017.

Term loan IV

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at LIBOR plus 2.0% per annum and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. A repayment of AED 4,175 thousand was made during the year.

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

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

The significant covenants for the above term loans include the following:

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

As at 31 December 2017, the Group remain in technical breach of specified covenants with its lenders for term loan II. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 31 December 2017. The Group's management are in discussions with the lenders to regularise the loan.

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2017 *AED'000*	*2016* *AED'000*
Balance at 1 January	**1,830**	1,967
Transfer from a joint venture on acquisition (Note 9)	**-**	1,704
Charge for the year (Note 23)	**439**	475
Reversals during the year	**-**	(560)
Payments during the year	**(789)**	(1,756)
Balance at 31 December	**1,480**	1,830

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 2017 and 2016, 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% (2016: 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% (2016: 2.54%). The present values of the obligations at 31 December 2017 and 2016 are not materially different from the provision computed in accordance with the UAE Labour Law.

18 TRADE AND OTHER PAYABLES

	2017 *AED'000*	*2016* *AED'000*
Non-current		
Provisions and other payables	**81,008**	-
Current		
Trade payables	**12,768**	6,567
Dividend payable	**10,638**	10,677
Advance from customers	**2,199**	682
Provisions and other payables	**18,795**	113,931
Other loans	**9,150**	10,980
	53,550	142,837
	134,558	142,837

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments in the countries in which it operates. The industry in which the Group is engaged is also subject to physical risks of various kinds. It is the practice of the Group therefore to make provisions (included as part of "Provisions and other payables" in the consolidated statement of financial position) for present obligations at the reporting date for which a future outflow is probable and the amount is reasonably determinable.

Provisions and other payables at 31 December 2017 to cover the above-mentioned risks amounted to AED 99,803 thousand (2016: AED 113,931 thousand) which includes amounts related to claims, unfavourable arbitration awards, and other contingencies. The Group was able to derecognise liabilities totalling AED 31,673 thousand during the year ended 31 December 2017 (2016: AED 107,768 thousand) which is included within 'Liabilities no longer required written back' in the consolidated statement of comprehensive income.

19 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities that has control, joint control or significant influence over the Group. Pricing policies and terms of these transactions are approved by the Group's management. 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 due to related parties of AED 149 thousand have been reclassified to 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:

	2017 AED'000	*2016 AED'000*
Finance income - due from a related party	**1,202**	2,253
Management fees charged by a jointly controlled entity	-	813
Purchase of vessels, property and equipment	**262,681**	-

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

	2017 AED'000	*2016 AED'000*
Due from a related party		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	-	35,672
Current		
Gulf Stolt Tankers DMCCO (Joint venture) (ii)	**3,371**	-
Due to related parties		
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	-	224
	-	224

(i) The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO. This loan carried interest of 6.6% per annum compounded on annual basis. In 2017, this amount has been fully applied against the purchase price of a vessel acquired from GST (see Note 6).

(ii) This represents advances made to Gulf Stolt Tankers DMCCO in 2009 and 2010 for which no settlement had been previously planned and hence was included in the carrying amount of the Group's investment in said joint venture. In 2017, the Group applied AED 108,222 thousand against such advances (Note 8).

For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: Nil).

19 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In February 2017, an agreement was reached with the lenders of term loans I and III for a full and final settlement of amounts owed to such lenders. The agreement allowed for payment of a final settlement amount set at a considerable discount from the lenders' original claim. The settlement was paid by one of the Company's major shareholders. To date no agreement has been finalised between the Company and such shareholder to define repayment of the amount which the latter has settled on behalf of the Company. The final settlement amount totalling AED 16,334 thousand is being presented as part of "Provisions and other payables" in the consolidated statement of financial position as at 31 December 2017.

Key management remuneration

	2017 AED'000	*2016 AED'000*
Salaries, benefits, end of service benefits and directors' fees	**5,801**	3,513
End of service benefits	**76**	99

The key management remuneration excludes expenses reimbursed amounting to AED 283 thousand (2016: AED 79 thousand).

20 GROSS INCOME AND OPERATING REVENUE

	2017 AED'000	*2016 AED'000*
Vessel chartering	**120,535**	106,645
Shipping services	**15,534**	30,975
Marine products sales and distribution	**2,475**	2,443
Technical services	**2,746**	1,628
Ship management	**875**	848
Gross income	**142,165**	142,539
Less: Agency income	**(4,238)**	(13,033)
Operating revenue	**137,927**	129,506

21 OPERATING COSTS

	2017 AED'000	*2016 AED'000*
Vessel chartering:		
Ship running - vessels	**33,196**	30,079
Ship running – crew boats	**4,326**	3,874
Vessel depreciation (excluding crew boats)	**35,603**	31,893
Amortisation of dry docking costs	**3,771**	2,907
Ship repair	**760**	537
Shipping services:		
Operating costs	**7,505**	11,546
Marine products sales and distribution	**2,032**	1,850
Technical services	**1,773**	979
	88,966	83,665

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 *AED'000*	*2016* *AED'000*
Staff costs (Note 23)	**17,209**	14,909
Professional fees	**594**	2,039
Other administrative expenses	**10,157**	9,921
	27,960	26,869

The Group did not make any social contributions during the year ended 31 December 2017 (2016: Nil).

23 STAFF COSTS

	2017 *AED'000*	*2016* *AED'000*
Salaries and wages	**13,569**	10,753
Employees' end of service benefits (Note 17)	**439**	475
Other benefits	**3,201**	3,681
	17,209	14,909

24 EARNINGS PER SHARE

	2017	*2016*
Profit for the year (AED'000)	**40,730**	136,573
Number of shares (Note 13)	**551,666,666**	551,666,666
Basic and diluted earnings per share	**AED 0.074**	AED 0.248

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. There are no instruments in issue with a dilutive impact on earnings per share.

25 FINANCE COSTS

	2017 *AED'000*	*2016* *AED'000*
Bank borrowings	**10,224**	5,929
Other loans (Note 18)	**1,999**	1,631
	12,223	7,560

26 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:

	2017 AED'000	2016 AED'000
Not later than one year	**150,657**	99,127
Between one year and five years	**625,566**	391,197
Beyond five years	**145,212**	178,610
	921,435	668,934

27 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 AED'000	2016 AED'000
Financial assets		
Loans and receivables		
Trade and other receivables (excluding advance to suppliers and prepayments)	**20,782**	16,269
Due from a related party	**3,371**	35,672
Cash and bank balances	**38,673**	25,344
	62,826	77,285
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding advance from customers and dividend payable)	**121,573**	131,329
Due to related parties	-	224
Bank borrowings	**435,529**	366,095
	557,102	497,648

28 COMMITMENTS

There was no capital expenditure contracted for at 31 December 2017 and 2016. The commitments with respect to non-cancellable operating leases is as follows:

	2017 AED'000	2016 AED'000
Not later than 1 year	**1,076**	734
Later than one year and no later than 5 years	**3,901**	152
	4,977	886

29 GUARANTEES

	2017 *AED'000*	*2016* *AED'000*
Bank guarantees	**300**	100

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

30 DIVIDEND

There is no dividend proposed for 2017 (2016: AED Nil).

31 CONTINGENT LIABILITIES

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

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

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