Gulf Navigation Holding PJSC
and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Navigation Holding PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2019, comprising of the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

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

13 May 2019

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	*31 March 2019 AED'000 (Unaudited)*	*31 December 2018 AED'000 (Restated)*
ASSETS			
Non-current assets			
Vessels, property and equipment	5	**1,175,229**	1,189,134
Right-of-use assets	2	**3,632**	3,901
Goodwill	6	**219,912**	219,912
		1,398,773	1,412,947
Current assets			
Inventories		**13,177**	13,756
Trade and other receivables	7	**58,871**	63,297
Due from a related party	11	**601**	1,017
Cash and bank balances		**43,249**	34,279
		115,898	112,349
TOTAL ASSETS		**1,514,671**	1,525,296
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**1,019,209**	919,209
Statutory reserve		**19,747**	19,747
Accumulated losses		**(131,281)**	(120,263)
Other reserves	17	**(2,724)**	(2,380)
Equity attributable to equity holders of the parent		**904,951**	816,313
Non-controlling interests		**13,525**	13,564
Islamic convertible sukuk	17	**-**	100,000
Total equity		**918,476**	929,877
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits		**1,710**	1,640
Lease liabilities	2,9	**56,996**	57,784
Bank borrowings	10	**75,507**	78,695
		134,213	138,119
Current liabilities			
Lease liabilities	2,9	**4,420**	3,663
Bank borrowings	10	**321,676**	323,835
Loan from related parties	11	**1,830**	-
Trade and other payables	8	**134,056**	129,802
		461,982	457,300
Total liabilities		**596,195**	595,419
TOTAL EQUITY AND LIABILITIES		**1,514,671**	1,525,296

The interim condensed consolidated financial statements were approved by the Board of Directors on 13 May 2019 and signed on its behalf by:

Saeed Mubarak Al Hajeri
Chairman

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2019

	Notes	*Three-month period ended* **31 March 2019 (Unaudited) AED'000**	*31 March 2018 (Unaudited) AED'000*
Operating revenue	12	**45,032**	37,670
Operating costs	13	**(41,837)**	(27,522)
GROSS PROFIT		**3,195**	10,148
Other income		**59**	110
General and administrative expenses	14	**(7,759)**	(7,329)
Operating (loss) / profit for the period		**(4,505)**	2,929
Finance costs	16	**(6,094)**	(5,321)
Share of results of joint ventures		**-**	(936)
Liabilities no longer required written back		**-**	8,727
(LOSS) / PROFIT BEFORE INCOME TAX		**(10,599)**	5,399
Income tax		**(458)**	(458)
(LOSS) / PROFIT FOR THE PERIOD		**(11,057)**	4,941
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		**(11,057)**	4,941
Attributable to:			
Equity holders of the parent		**(11,018)**	4,721
Non-controlling interests		**(39)**	220
		(11,057)	4,941
Earnings per share attributable to equity holders of the parent			
- Basic and diluted (AED)	18	**(0.0115)**	0.0051

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2019

	Attributable to equity holders of the parent							
	Share capital AED'000	*Statutory reserve AED'000*	*Accumulated losses AED'000*	*Other reserves AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Islamic convertible sukuk AED'000*	*Total equity AED'000*
Balance at 1 January 2018	551,667	19,747	(80,247)	-	491,167	13,454	-	504,621
Share capital issued	367,542	-	-	-	367,542	-	-	367,542
Rights issue cost	-	-	-	(2,380)	(2,380)	-	-	(2,380)
Total comprehensive income for the period	-	-	4,721	-	4,721	220	-	4,941
Balance at 31 March 2018	919,209	19,747	(75,526)	(2,380)	861,050	13,674	-	874,724
Balance at 1 January 2019 *(Restated)*	919,209	19,747	(120,263)	(2,380)	816,313	13,564	100,000	929,877
Conversion of Sukuk into Share Capital (Note 17)	100,000	-	-	-	100,000	-	(100,000)	-
Sukuk conversion cost (Note 17)	-	-	-	(344)	(344)	-	-	(344)
Total comprehensive loss for the period	-	-	(11,018)	-	(11,018)	(39)	-	(11,057)
Balance at 31 March 2019	**1,019,209**	**19,747**	**(131,281)**	**(2,724)**	**904,951**	**13,525**	-	**918,476**

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 31 March 2019

	Notes	*Three-month period ended* 31 March 2019 AED'000 (Unaudited)	31 March 2018 AED'000 (Unaudited)
OPERATING ACTIVITIES			
(Loss) / Profit for the period before tax		**(10,599)**	5,399
Adjustments for:			
Depreciation		**15,935**	12,283
Rights-of-use amortisation		**269**	-
Share of results from joint ventures		**-**	936
Provision for employees' end of service benefits		**83**	102
Liabilities no longer required written back		**-**	(8,727)
Finance costs	16	**6,094**	5,321
Operating cash flows before working capital changes		**11,782**	15,314
Changes in working capital:			
Inventories		**579**	(498)
Trade and other receivables		**4,426**	975
Transfer to restricted cash		**(162)**	26
Trade and other payables		**3,115**	(32,696)
Due to related party		**416**	-
		20,156	(16,879)
Employees' end of service benefits paid		**(13)**	(15)
Net cash flows generated from / (used in) operating activities		**20,143**	(16,894)
INVESTING ACTIVITIES			
Purchase of vessels, property and equipment		**(2,569)**	(24)
Proceeds from disposal of vessels, property and equipment		**539**	-
Net cash flows used in investing activities		**(2,030)**	(24)
FINANCING ACTIVITIES			
Funds received from trading rights issue		**-**	367,542
Sukuk conversion / issuance costs paid	17	**(344)**	(1,970)
Payment of lease liabilities	9	**(31)**	-
Proceeds from new loans	11	**1,830**	-
Repayment of borrowings	10	**(5,347)**	(12,995)
Finance cost paid		**(5,413)**	(4,845)
Net cash flows (used in) / generated from financing activities		**(9,305)**	347,732
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,808**	330,814
Cash and cash equivalents at beginning of the period		**23,130**	28,035
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**31,938**	358,849
Restricted cash		**11,311**	10,612
TOTAL CASH AND BANK BALANCES		**43,249**	369,461

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC ("the Company") is a Public Joint Stock Company incorporated on 30 October 2006 as per the Resolution of the Ministry of Economy No. 425 of 2006 and validly existing 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 31 Mar 2019*	*% equity interest 31 Dec 2018*
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC	Ship Charter, etc.	UAE	**100**	100
Gulf Navigation Group FZCO	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	**100**	100
GulfNav Ship Management FZE	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	**100**	100
Gulf Crude Carriers (L.L.C)	Ship Charter, etc.	UAE	**100**	100
Gulf Chemical Carriers (L.L.C)	Ship Charter, etc.	UAE	**100**	100
Gulf Navigation Polimar Maritime LLC	Sea Shipping Lines Agents	UAE	**60**	60
Gulf Ship Management DMCC *(deregistered on 6 February 2019)*	Ship Management and Operation etc.	UAE	**n/a**	100
Gulf Navigation and Brokerage LLC	Ship Brokerage	Oman	**100**	100
Gulf Eyadah Corporation	Ship Owning	Panama	**100**	100
Gulf Huwaylat Corporation	Ship Owning	Panama	**100**	100
Gulf Deffi Corporation	Ship Owning	Panama	**100**	100
Gulf Jalmuda Corporation	Ship Owning	Panama	**100**	100
Gulf Fanatir Corporation	Ship Owning	Panama	**100**	100
Gulf Navigation Mishref Limited	Ship Owning	Cayman Islands	**100**	100
Gulf Navigation Mirdif Limited	Ship Owning	Cayman Islands	**100**	100
Gulf Navigation Sukuk Limited	Unlimited	Cayman Islands	**100**	100
Gulf Maritime Ship Management LLC	Ship Management and Operations	UAE	**100**	100
Gulf Ship Management Co LLC	Ship Management and Operations, etc	UAE	**100**	100
Gulf Navigation Mishref Limited	Ship Charter	Liberia	**100**	100
Gulf Navigation Mirdif Limited	Ship Charter	Liberia	**100**	100
Gulf Ahmadi Shipping Inc *	Ship Owning	Marshall Islands	**100**	100
Gulf Shagra Shipping Inc *	Ship Owning	Marshall Islands	**100**	100
Gulf Navigation Ship Owning LLC	Ship Charter, etc	UAE	**100**	100
Gulf Navigation Livestock Carriers Ltd., Inc.	Ship Owning	Panama	**100**	100
Gulf Navigation Livestock Carriers 1 Ltd., Inc.	Ship Owning	Panama	**100**	100
Gulf Navigation Livestock Carriers 2 Ltd., Inc.	Ship Owning	Panama	**100**	100
Kabedah S.A.	Ship Owning	Panama	**100**	100
Al Mawashi Compania Naviera S.A.	Ship Owning	Panama	**100**	100
Durango Shipping Ltd.	Ship Owning	Marshall Islands	**100**	100

* *annulled on 4 April 2019*

1 LEGAL STATUS AND ACTIVITIES (continued)

The Group has the following branches:

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

** incorporated on 25 April 2018*
*** incorporated on 7 July 2018*

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

Jointly controlled entity	***Principal activity***	***Country of incorporation***	***% Equity interest 31 Mar 2019***	***31 Dec 2018***
Gulf Stolt Tankers DMCCO	Ship Charter	UAE	50%	50%

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2019 have been prepared in accordance with IAS 34 *"Interim Financial Reporting"* and the applicable requirements of the United Arab Emirates Laws. These interim condensed consolidated financial statements do not include all the information required for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim condensed consolidated financial statements have been prepared under the historical cost convention.

Results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Basis of consolidation
The interim condensed consolidated financial statements at and for the three-month period ended 31 March 2019, comprises results of the Company and its subsidiaries. The interim condensed financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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 18,666 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 was credited in equity. As of 31 March 2019, the Group has received AED 4,026 thousand out of the total sales consideration of AED 18,666 thousand and the residual balance of AED 14,640 thousand is disclosed in Note 7.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Going concern assumption

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

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- *IFRS 16 Leases (1 January 2019)*

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the consolidated statement of financial position (increase/(decrease)) as at 31 December 2018:

	AED'000
Assets	
Right-of-use assets	3,901
Prepayments	(251)
Total assets	3,650
Liability	
Lease liability	3,650
Equity impact	-

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

- *IFRS 16 Leases (1 January 2019) (continued)*

a) Nature of the effect of adoption of IFRS 16
Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were 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 were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in this interim condensed consolidated financial statements has been restated.

b) Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.
Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies
The Group has consistently applied the accounting policies and methods of computation used in the preparation of the last published annual consolidated financial statements for the year ended 31 December 2018.

Estimates and judgements
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements at and for the year ended 31 December 2018.

Financial risk management
The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements at and for the year ended 31 December 2018.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment of vessels, property and equipment
Management assesses the impairment of vessels, property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in an asset's market value beyond that would be expected from the passage of time or normal use;
- Significant changes in the use of its assets or the strategy of the operation to which the asset belongs;
- Significant changes in the technology and regulatory environments; and
- Evidence from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If such an indication exists, an impairment test is completed by comparing the carrying values of the cash generating unit with their recoverable amounts. The recoverable amount of the asset taken into consideration is its value-in-use.

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

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 15,084 thousand (31 December 2018: AED 18,737 thousand) with provision for doubtful debts of AED 985 thousand (31 December 2018: AED 985 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the interim consolidated income statement.

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

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

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

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

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. 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 6.2).

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

Year 1 to 3 – 0% to 2%
Years 4 – 0% to 19.8%
Year 5 onwards – 0% to 2%

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

If the budgeted gross margin used in the value in use calculation for the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% higher/lower than management's estimates at 31 March 2019 and 31 December 2018, no impairment charge would have been recognised.

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

When using management's weighted average cost of capital of 8.42%, headroom equates to AED 257,596 thousand.

4 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 to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group comprises the following main business segments:

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

Vessel owning and chartering, ship management, marine products sales and distribution and shipping and technical services meet criteria required by IFRS 8, 'Operating Segments' and reported as separate operating segments. Other business segment does not meet the quantitative thresholds required by IFRS 8, and the results of its 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.

4 OPERATING SEGMENTS (continued)

For the three-month period ended 31 March 2019 (unaudited)

	Vessel owning and chartering AED'000	*Ship management AED'000*	*Marine products sales and distribution AED'000*	*Shipping and technical services AED'000*	*Other AED'000*	*Inter segment elimination AED'000*	*Total AED'000*
Operating revenue	42,208	1,467	38	2,695	-	(1,376)	45,032
Operating costs	(41,199)	-	(17)	(1,997)	-	1,376	(41,837)
Other income	-	-	51	2	265	(259)	59
General and administrative expenses	(503)	(1,448)	(38)	(1,116)	(4,913)	259	(7,759)
Finance costs	(5,876)	-	-	-	(218)	-	(6,094)
Income tax	-	-	-	-	(458)	-	(458)
Reportable segment profit / (loss)	(5,370)	19	34	(416)	(5,324)	-	(11,057)
At 31 March 2019 (unaudited)							
Reportable segment assets	1,934,220	18,843	8,158	15,513	1,398,726	(1,860,789)	1,514,671
Reportable segment liabilities	1,269,659	21,124	9,101	3,525	699,766	(1,406,980)	596,195

4 OPERATING SEGMENTS (continued)

For the three-month period ended 31 March 2018 (unaudited)

	Vessel owning and chartering AED'000	*Ship management AED'000*	*Marine products sales and distribution AED'000*	*Shipping and technical services AED'000*	*Other AED'000*	*Inter segment elimination AED'000*	*Total AED'000*
Operating revenue	34,268	1,215	140	3,125	-	(1,078)	37,670
Operating costs	(26,247)	-	(91)	(2,262)	-	1,078	(27,522)
Other income	7	-	25	4	266	(192)	110
General and administrative expenses	(626)	(1,434)	(47)	(734)	(4,680)	192	(7,329)
Finance costs	(5,028)	-	-	-	(293)	-	(5,321)
Share of results from joint ventures	(936)	-	-	-	-	-	(936)
Liabilities no longer required written back	3,550	-	-	-	5,177	-	8,727
Income tax	-	-	-	-	(458)	-	(458)
Reportable segment profit / (loss)	4,988	(219)	27	133	12	-	4,941

At 31 March 2018 (unaudited)

Reportable segment assets	739,398	17,225	3,655	19,597	1,432,094	(818,664)	1,393,305
Reportable segment liabilities	666,539	13,950	2,646	7,288	608,568	(780,410)	518,581

5 VESSELS, PROPERTY AND EQUIPMENT

Vessels with a book value of AED 1,017,792 thousand (31 December 2018: AED 1,091,158 thousand) are mortgaged as security for bank borrowings (Note 10).

The carrying value of vessels held under finance leases was AED 119,335 thousand (31 December 2018: AED 121,148 thousand). Leased assets are pledged as security for the related finance leases (Note 9).

In 2018, the Group acquired a vessel for an amount of AED 10,460 thousand. The vessel is intended to be converted into an oil stimulation vessel to service the specific requirements of a time charter due to be implemented in May 2019. The vessel is still currently under conversion and as such is disclosed as capital work-in-progress. Borrowing cost related to this vessel amounting to AED 446 thousand (31 December 2018: AED 1,052 thousand) has been capitalised during the period. The carrying value of this asset is AED 30,333 thousand (31 December 2018: AED 27,771 thousand).

6.1 BUSINESS COMBINATION

In 2018, the Group obtained control of Gulf Navigation Livestock Carrier Ltd. Inc, a wholly owned subsidiary of Aksab Investments LLC, which is registered in the Republic of Panama, for a purchase consideration of AED 420,000 thousand. Out of AED 420,000 thousand, an amount of AED 20,000 thousand is payable as at 31 March 2019 and 31 December 2018 (Note 8). During the period, the Group finalised the purchase price allocation and accordingly, a goodwill of AED 83,913 thousand has been recognised.

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

	31 December 2018 AED'000 (Restated) AED '000
Assets–	
Vessels	**336,087**
Total identifiable net assets (restated fair value)	**336,087**
Less: Consideration paid and payable	**420,000**
Goodwill (restated)	**83,913**

Cash flow on acquisition

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

6.2 GOODWILL

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Balance at 1 January	**219,912**	135,999
Addition during the year (Note 6.1)	-	83,913
Balance 31 March 2019/31 December 2018	**219,912**	219,912

6.2 GOODWILL (continued)

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

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

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

7 TRADE AND OTHER RECEIVABLES

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Trade receivables	**15,084**	18,737
Allowance for expected credit losses	**(985)**	(985)
	14,099	17,752
Receivable on dilution of investment in a subsidiary (See (b) and Note 2)	**14,640**	14,640
Advance to suppliers	**2,369**	3,464
Prepayments	**3,584**	3,515
Receivable towards sale of a vessel	**16,104**	16,104
Other receivables	**8,075**	7,822
	58,871	63,297

(a) Trade receivables include an amount of AED 6,359 thousand related to a customer against which the Group has initiated legal proceedings for the recovery of its dues. Management believes that the Group would be able to recover its dues in full and hence, not recorded any allowance against the receivable as at 31 March 2019. Management's assessment is largely based on its view that the Group would be able to settle trade payables amounting to AED 6,370 thousand (Note 8), related to the same transaction, against the receivable balance.

(b) The Group is currently in discussions with the minority shareholder in terms of the latter's future involvement in the Group's subsidiary. Management expects that the receivable would be offset against the non-controlling interests and as such, there would not be any impact on the Group's profit or loss. A final agreement is expected to be agreed after the end of the reporting period.

7 TRADE AND OTHER RECEIVABLES (continued)

As at 31 March 2019, trade receivables of AED 14,099 thousand (31 December 2018: AED 17,752 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
0 to 90 days	**4,088**	9,624
91 to 120 days	**767**	628
121 to 150 days	**1,011**	189
151 to 365 days	**2,959**	1,815
More than 365 days	**5,274**	5,496
	14,099	17,752

As at 31 March 2019, trade receivables with a nominal value of AED 985 thousand (31 December 2018: AED 985 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Balance at 1 January	**985**	235
Additions	**-**	750
Balance 31 March 2019/31 December 2018	**985**	985

The creation and release of provision for trade receivables is included in general and administrative expenses in the interim 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.

8 TRADE AND OTHER PAYABLES

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated*
Trade payables	**45,856**	37,141
Dividend payable	**10,578**	10,600
Advance from customers	**4,182**	7,138
Consideration payable on acquisition of a business (Note 6.1)	**20,000**	20,000
Other loans	**7,476**	-
Interest payable on borrowings	**3,173**	3,491
Tax accrual	**13,678**	13,220
Dry-docking related accruals	**6,615**	9,728
Provisions and other payables	**22,498**	28,484
	134,056	129,802

Trade payables include an amount of AED 6,370 thousand payable to port authorities which is expected to be settled against the receivable of AED 6,359 thousand (Note 7).

9 LEASE LIABILITIES

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Current		
Within one year	**4,420**	3,663
Non-current		
Non-current portion	**56,996**	57,784

On 28 November 2017, the Group entered into a finance lease agreement to the 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 44,718 thousand on 29 November 2022. During the period, the Group repaid an amount of AED 30 thousand (31 December 2018: AED 7,410 thousand).

As of 31 March 2019, the lease liabilities pertaining to rights-to-use assets amounted to AED 3,650 thousand (2018: AED 3,650 thousand).

10 BANK BORROWINGS

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Current		
Bank borrowings	**321,676**	323,835
Non-current		
Bank borrowings	**75,507**	78,695

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 2019	**253,681**	**61,713**	**27,759**	**59,377**	**402,530**
Less: repaid during the period	**(5,416)**	-	-	-	**(5,416)**
Add: amortisation of arrangement fee	-	**37**	-	**32**	**69**
Balance at 31 March 2019	**248,265**	**61,750**	**27,759**	**59,409**	**397,183**
Less: current portion	**(248,265)**	**(10,475)**	**(3,527)**	**(59,409)**	**(321,676)**
Non-current portion	-	**51,275**	**24,232**	-	**75,507**

10 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 2018	305,385	70,064	-	-	375,449
Add: availed during the year	-	-	30,000	59,377	89,377
Less: repaid during the year	(51,704)	(8,351)	(2,241)	-	(62,296)
Balance at 31 December 2018	253,681	61,713	27,759	59,377	402,530
Less: current portion	(253,681)	(8,351)	(2,426)	(59,377)	(323,835)
Non-current portion	-	53,362	25,333	-	78,695

Term loan I
The term-loan of AED 676,331 thousand was availed by the Group to acquire chemical tankers costing AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final maturity payment of AED 296,051 thousand on or before June 2019. A repayment of AED 5,417 thousand was made during the period.

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

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

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

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

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

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

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

As at 31 March 2019, the Group remained in breach of financial covenants with its lenders for term loan I and IV. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 31 March 2019. The Group's management are in discussions with the lenders to regularise the loan and do not believe that these loans will be called by the lenders.

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities. Pricing policies and terms of these transactions are approved by the Group's management.

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

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Due from related party		
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	**601**	1,017

For the period ended 31 March 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2018: Nil).

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Audited)*
Loan from related parties		
Current		
Major shareholders	**1,830**	-

The loan obtained from the major shareholder is intended to finance drydocking of chemical tankers. Management is currently working with the lender to agree on the terms of the loan formally and as such, no interest cost on the loan has been accrued for during the period ended 31 March 2019.

Key management remuneration

	Three-month period ended	
	31 March 2019 AED'000 (Unaudited)	*31 March 2018 AED'000 (Unaudited)*
Salaries, benefits and directors' fees	**1,506**	1,946

12 OPERATING REVENUE

	Three-month period ended	
	31 March 2019 AED'000 (Unaudited)	*31 March 2018 AED'000 (Unaudited)*
Vessel owning and chartering	**42,208**	34,267
Shipping services	**2,630**	2,912
Marine products sales and distribution	**38**	140
Technical services	**64**	214
Ship management	**92**	137
	45,032	37,670

13 OPERATING COSTS

	Three-month period ended	
	31 March 2019 AED'000 (Unaudited)	*31 March 2018 AED'000 (Unaudited)*
Vessel owning and chartering:		
Ship running - vessels	**22,834**	11,345
Ship running - crew boats	**1,217**	1,081
Vessel depreciation	**13,008**	10,532
Amortisation of dry docking costs	**2,721**	1,584
Ship repair	**43**	210
Shipping services	**1,968**	2,625
Marine product sales and distribution	**17**	91
Technical services	**29**	54
	41,837	27,522

14 GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended	
	31 March 2019 AED'000 (Unaudited)	*31 March 2018 AED'000 (Unaudited)*
Staff costs (note 15)	**4,598**	4,258
Professional fees	**1,420**	158
Other administrative expenses	**1,741**	2,913
	7,759	7,329

15 STAFF COSTS

	Three-month period ended	
	31 March 2019 AED'000 (Unaudited)	*31 March 2018 AED'000 (Unaudited)*
Salaries and wages	**4,031**	3,851
Employees' end of service benefits	**83**	102
Other benefits	**484**	305
	4,598	4,258

16 FINANCE COSTS

	Three-month period ended 31 March 2019 AED'000 (Unaudited)	31 March 2018 AED'000 (Unaudited)
Bank borrowings	**5,625**	4,995
Other loans	**469**	326
	6,094	5,321

17 SHARE CAPITAL

	31 March 2019 (Unaudited)	31 December 2018 (Restated)
Authorised:		
1,019,209,250 shares (2018: 1,000,000,000 shares) of AED 1 each	**1,019,209**	1,000,000

	31 March 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Restated)
Issued and fully paid up:		
1,019,209,250 shares (2018: 919,209,250 shares) of AED 1 each	**1,019,209**	919,209

On 28 February 2019, the Company finalised the conversion of previously issued Islamic convertible sukuk bonds into 100,000,000 ordinary shares of AED 1 each. The increase in authorised capital to 1,019,209,250 shares approved by the shareholders in 2018 were approved by the regulatory authority on 19 February 2019. The Group incurred a cost of AED 344 thousand in connection with the conversion of sukuk which is presented as "Other reserves" in the interim consolidated statement of changes in equity.

18 EARNINGS PER SHARE

	Three-month period ended 31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
(Loss) / Profit for the period attributable to equity holders of the parent (AED '000)	**(11,018)**	4,721
Number of shares	**1,019,209,250**	919,209,250
Basic and diluted earnings per share	**(AED 0.0115)**	AED 0.0051

19 OPERATING LEASES AS LESSOR

The Group leases out its outstanding chemical vessels under an operating lease (time charter). The time charter runs until 2023 with an option to extend for another 5 years at the option of the charterer. The future minimum lease rentals presented below exclude the extension period. The lease rental is usually negotiated to reflect market rentals upon entering into/renewal of the charter. Future minimum lease rentals receivables under the non-cancellable operating leases (excluding those owned by the joint venture) are as follows:

	31 March 2019 AED'000 (Unaudited)	*31 December 2018 AED'000 (Restated)*
Not later than one year	**107,626**	106,578
Between one year and five years	**377,210**	395,495
Beyond five years	**-**	6,880
	484,836	508,953