

Gulf Navigation Holding PJSC

**Review report and interim financial information
for the nine-month period ended 30 September 2020**

Gulf Navigation Holding PJSC

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Gulf Navigation Holding PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Gulf Navigation Holding PJSC, Dubai, United Arab Emirates** (the “Company”) **and its Subsidiaries** (together referred to as the “Group”) as at 30 September 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month period ended 30 September 2020, and the condensed consolidated changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of interim financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information 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.

Basis for Adverse Conclusion

Based on information provided to us by management, management has recognised a receivable of AED 197.5 million in respect of an insurance claim, which is not virtually certain to be recoverable, that we believe should not be recognised to conform with International Financial Reporting Standards (“IFRSs”). This information indicates that if this insurance claim receivable was not recognised at 30 September 2020, trade and other receivables would be decreased by AED 197.5 million, the loss for the period then ended and the loss per share would be increased by AED 197.5 million and AED 0.194 respectively and total equity would be decreased by AED 197.5 million.

Had management adjusted for the matter described above, the accumulated losses would have exceeded 50% of share capital of the Group. This would have required the directors, in accordance with article 302 of the Federal Law No (2) of 2015, to call a General Meeting for the shareholders to vote on either dissolving the Company or to continue its activity based on an appropriate restructuring plan within 30 days of the issue of the interim financial information.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Gulf Navigation Holding PJSC (continued)

Adverse Conclusion

Our review indicates that, because the matter described in the preceding paragraph, the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and of its financial performance for the three-month and nine-month period ended 30 September 2020 and its cash flows for the nine-month period then ended in accordance with IAS 34.

Material Uncertainty Related to Going Concern

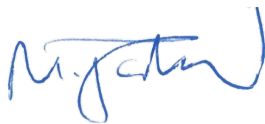
We draw attention to Note 2 to the interim financial information, concerning the Group's ability to continue as a going concern. The Group incurred a loss of AED 63.2 million during the nine-month period ended 30 September 2020 (nine-month period ended 30 September 2019: AED 46.3 million) and, as of that date, its current liabilities exceeded current assets by AED 123 million (31 December 2019: AED 152 million) the accumulated losses of the Group amounts to AED 507.8 million (31 December 2019: AED 445.2 million). The Group has breached its financial covenants with its lenders for term loan IV and V thereby rendering these loans to be technically payable on demand at 30 September 2020. Moreover, the Group has been unable to pay its outstanding debts for term loans II and III.

The Group has been in negotiation with lenders on a longer term solution to its capital structure, which includes the re-profiling of payment obligations and covenant amendments. To date, it has received a covenant waiver for term loan V. The Board of Directors are also exploring the option to dispose of vessel with lower contribution margin to improve the performance of the Group.

In performing their assessment of going concern, the Board of Directors have considered forecasted cash flows for a period of more than 12 months from the date of issuance of this interim financial information. The timing and realisation of a number of key assumptions such as recoverability of insurance claim and sale of vessel within the forecasts are not wholly within management's control. These events or conditions, along with other matters as set forth in Note 2 to the interim financial information, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Deloitte & Touche (M.E.)



Mohammad Jallad
Registration No.: 1164
12 November 2020
Dubai
United Arab Emirates

**Condensed consolidated statement of financial position
as at 30 September 2020**

	Notes	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Non-current asset			
Vessels, property and equipment	5	657,019	978,609
Rights-of-use assets		671	2,825
Goodwill	6	143,463	143,463
Total non-current assets		801,153	1,124,897
Current assets			
Inventories		7,362	9,875
Trade and other receivables	7	255,894	50,998
Cash and bank balances		21,915	28,400
Total current assets		285,171	89,273
Total assets		1,086,324	1,214,170
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,019,209	1,019,209
Statutory reserve		19,747	19,747
Accumulated losses		(507,823)	(445,195)
Other reserves	17	(2,724)	(2,724)
Equity attributable to owners of the Company		528,409	591,037
Non-controlling interests		10,936	11,519
Total equity		539,345	602,556
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		1,603	1,812
Lease liabilities	9	256	53,243
Loan from related parties	11	-	37,443
Borrowings	10	57,630	277,848
Islamic non-convertible sukuk	19	79,342	-
Total non-current liabilities		138,831	370,346
Current liabilities			
Lease liabilities	9	512	6,976
Borrowings	10	283,256	117,555
Trade and other payables	8	107,398	116,593
Loan from related parties	11	16,838	-
Due to a related party	11	144	144
Total current liabilities		408,148	241,268
Total liabilities		546,979	611,614
Total equity and liabilities		1,086,324	1,214,170

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial information presents fairly in all material respects the consolidated financial position, financial performance and cash flows of the Group.

Abdulla Sultan Ahmed Atatreh
Vice Chairman

Ahmad Kilani
Director

Roderik Flikweert
Chief Financial Officer

The accompanying notes form an integral part of this interim financial information.

**Condensed consolidated statement of profit or loss and other comprehensive income
for the nine-month and three-month period ended 30 September 2020**

	Notes	Nine-month period ended 30 September		Three-month period ended 30 September	
		2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Operating revenue	12	110,969	130,355	43,380	44,632
Operating costs	13	(102,284)	(128,289)	(33,423)	(43,358)
Gross profit		8,685	2,066	9,957	1,274
Other income		2,433	136	141	46
Income from insurance claim	5	197,541	-	197,541	-
General and administrative expenses	14	(14,416)	(22,311)	(4,257)	(7,670)
Loss on disposal of a vessel	5	(9,610)	-	-	-
Write-off of a vessel	5	(197,541)	-	(197,541)	-
Provision for impairment of vessels		(12,649)	-	(3,908)	-
Operating (loss)/profit for the period		(25,557)	(20,109)	1,933	(6,350)
Finance costs	16	(36,281)	(24,846)	(13,020)	(11,709)
Loss before income tax		(61,838)	(44,955)	(11,087)	(18,059)
Income tax		(1,373)	(1,373)	(458)	(458)
Loss for the period		(63,211)	(46,328)	(11,545)	(18,517)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(63,211)	(46,328)	(11,545)	(18,517)
Attributable to:					
Owners of the Company		(62,628)	(45,878)	(11,489)	(18,156)
Non-controlling interests		(583)	(450)	(56)	(361)
		(63,211)	(46,328)	(11,545)	(18,517)
Earnings per share attributable to owners of the Company					
Basic and diluted (AED)	18	(0.061)	(0.046)	(0.011)	(0.018)

The accompanying notes form an integral part of this interim financial information.

**Condensed consolidated statement of changes in equity
for the nine-month period ended 30 September 2020**

	Attributable to Owners of the Company					Non- controlling interests AED'000	Islamic convertible sukuk AED'000	Total AED'000
	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000			
Balance at 1 January 2019 (audited and 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 (unaudited)	-	-	(45,878)	-	(45,878)	(450)	-	(46,328)
Balance at 30 September 2019 (unaudited)	<u>1,019,209</u>	<u>19,747</u>	<u>(166,141)</u>	<u>(2,724)</u>	<u>870,091</u>	<u>13,114</u>	<u>-</u>	<u>883,205</u>
Balance at 1 January 2020 (audited)	1,019,209	19,747	(445,195)	(2,724)	591,037	11,519	-	602,556
Total comprehensive loss for the period (unaudited)	-	-	(62,628)	-	(62,628)	(583)	-	(63,211)
Balance at 30 September 2020 (unaudited)	<u>1,019,209</u>	<u>19,747</u>	<u>(507,823)</u>	<u>(2,724)</u>	<u>528,409</u>	<u>10,936</u>	<u>-</u>	<u>539,345</u>

The accompanying notes form an integral part of this interim financial information.

**Condensed consolidated statement of cash flows
for the nine-month period ended 30 September 2020**

		<i>Nine-month period ended</i>	
	Notes	30 September 2020 AED'000 (Unaudited)	30 September 2019 AED'000 (Unaudited)
Cash flows from operating activities			
Loss for the period		(63,211)	(46,328)
<i>Adjustments for:</i>			
Depreciation of vessels, property and equipment	5	36,789	49,691
Rights-of-use asset amortisation		634	807
Impairment of rights-of-use asset		230	-
Provision for impairment of vessels	5	12,649	-
Provision for employees' end of service benefits	15	189	368
Loss of disposal of a vessel	5	9,610	-
Finance costs	16	36,281	24,846
Amortisation of arrangement fees		2,316	748
Operating cash flows before changes in operating assets and liabilities		35,487	30,132
Decrease in inventories		1,987	1,124
Decrease in due from a related party		-	688
(Increase) / decrease in trade and other receivables		(7,353)	9,272
Increase in restricted cash		(6,561)	(335)
Decrease in trade and other payables		(17,031)	(24,908)
Cash generated by operations		6,529	15,973
Employees' end of service benefits paid		(398)	(243)
Net cash generated from operating activities		6,131	15,730
Cash flows from investing activity			
Purchase of vessels, property and equipment	5	(2,582)	(33,649)
Proceeds from disposal of vessels, property and equipment		5,459	539
Net cash from / (used in) investing activity		2,877	(33,110)
Cash flows from financing activities			
Proceeds from Islamic non-convertible sukuk		90,919	-
Sukuk conversion / issuance cost paid		-	(344)
Payment of lease liabilities	9	(966)	(1,277)
Payment of arrangement fee	9	(12,499)	(6,350)
Proceeds from new borrowings	10	-	263,520
Repayment of borrowings	10	(56,018)	(257,585)
Loan from related parties		10,008	26,210
Repayment of loan obtained from a related party	11	(32,019)	-
Borrowings from other parties		-	16,893
Interest paid		(21,479)	(22,073)
Net cash (used in) / from financing activities		(22,054)	18,994
Net (decrease) / increase in cash and cash equivalents during the period		(13,046)	1,614
Cash and cash equivalents at the beginning of the period		16,921	23,130
Cash and cash equivalents at the end of the period		3,875	24,744
Restricted cash		18,040	11,484
Total cash and bank balances		21,915	36,228

The accompanying notes form an integral part of this interim financial information.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020**

1. Legal status and activities

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

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>	
			<i>30 Sept 2020</i>	<i>31 Dec 2019</i>
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 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

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

1. Legal status and activities (continued)

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>	
			<i>30 Sept 2020</i>	<i>31 Dec 2019</i>
Gulf Navigation Mishref Limited	Ship Charter	Liberia	100	100
Gulf Navigation Mirdif Limited	Ship Charter	Liberia	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
Durango Shipping Ltd.	Ship Owning	Marshall Islands	100	100

The Group has the following branches:

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

* transferred to third party on 4 June 2020

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

<i>Jointly controlled entity</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>	
			<i>30 Sept 2020</i>	<i>31 Dec 2019</i>
Gulf Stolt Tankers DMCCO (“GST”) (under liquidation)	Ship Charter	UAE	50	50

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)****2. Basis of preparation and accounting policies****Basis of preparation**

The interim financial information of the Group for the nine-month period ended 30 September 2020 has been prepared in accordance with IAS 34 “*Interim Financial Reporting*” and the applicable requirements of the laws in the U.A.E. This interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The interim financial information has been prepared under the historical cost convention.

Results for the three-month and nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Basis of consolidation

The interim financial information at and for the nine-month period ended 30 September 2020, comprises results of the Company and its subsidiaries. The interim financial information 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.

Going concern

As of 30 September 2020, the Group’s current liabilities has exceeded its current assets by AED 122,977 thousand (31 December 2019: AED 151,955 thousand) and has accumulated losses amounting to AED 507,823 thousand (31 December 2019: AED 445,195 thousand). The Group has also incurred losses of AED 63,211 thousand (nine-month period ended 30 September 2019: AED 46,328 thousand) during the nine-month period ended 30 September 2020. Further the Group has breached its financial covenants with its lenders for term loan IV and V thereby rendering these loans to be technically payable on demand [as disclosed in Note 10(d)]. Moreover, the Group has been unable to pay its outstanding debts [as disclosed in Note 10(b) and 10(c)]. Breach of covenants in term loan IV and default in repayment of term loan II and III have triggered the cross-default clause in term loan V as per its financing agreement.

During the nine-month period ended 30 September 2020, the Group have taken various operational steps including securing contracts for off-hire vessels and reducing the excess administrative cost that will result in improved profitability in the following months.

The Board of Directors are also considering all options to reinforce the capital structure of the Group and are in active discussions with its lenders. In this context, the Group restructured term loan IV and agreed with the bank to waive compliance of covenants for term loan V from 1 April 2020 to 30 September 2020, as disclosed in Note 10(d) and Note 10(e) respectively. For term loan II and III, discussions are also being held with the Group’s bankers to extend the payment obligations of the existing facilities with the aim of establishing an appropriate long-term capital structure for the business [Note 10(b) and 10(c)].

The management of the Group has prepared a cash flow forecast for a period of not less than twelve months from the date of this interim financial information and have a reasonable expectation that the Group will have adequate resources to continue its operational existence for the foreseeable future.

Notes to the interim financial information for the nine-month period ended 30 September 2020 (continued)

2. Basis of preparation and accounting policies (continued)

Going concern (continued)

The cash flow forecast is based on following key assumptions:

1. The Group will be able to reschedule term loan V at a lower interest rate and will be able to conclude the restructuring of term loan II and III;
2. The Group will receive additional waivers of certain financial covenants from the lenders;
3. The Group will receive the insurance claim receivable amounting to AED 197,541 thousand;
4. One vessel of the Group will be sold, in accordance with the cash flow forecast.

The Directors have concluded that, in aggregate, due to the significance of these matters, which are beyond their control, these events and conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as going concern. Significant disruptions to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim financial information is consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020 which are as follows. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- (a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2020.
 - *Amendments to references to the Conceptual Framework in IFRS standards*
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.
 - *Definition of Business - amendments to IFRS 3*
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.
 - *Definition of Material – amendments to IAS 1 and IAS 8*
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'
 - *Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7*
The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
 - *Covid-19-Related Rent Concessions – amendments to IFRS 16*
The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This is effective for periods beginning on or after 1 June 2020.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)****2. Basis of preparation and accounting policies (continued)****Changes in accounting policy and disclosures (continued)**

(b) New standards and amendments issued but not yet effective

- Classification of Liabilities as Current or Non-Current – amendments to IAS 1 (effective from 1 January 2022);
- Property, Plant and Equipment – Proceeds before Intended Use – amendments to IAS 16 (effective from 1 January 2022);
- Onerous Contracts — Cost of Fulfilling a Contract – amendments to IAS 37 (effective from 1 January 2022);
- IFRS 17: Insurance Contracts (effective from 1 January 2021).

The above stated new standards and amendments are not expected to have any significant impact on the interim financial information of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the interim financial information of the Group.

Functional and presentation currency

Items included in the interim financial information 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 financial information of the Group is 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.

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 2019.

There are no changes in the accounting policies during the nine-month period ended 30 September 2020.

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 2019.

3. Critical accounting estimates and judgements

The preparation of these interim financial information, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the interim financial information for the nine-month period ended 30 September 2020 (continued)

3. Critical accounting estimates and judgements (continued)

The significant judgments 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 Group's interim financial information for the year ended 31 December 2019 except as given below.

In January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak"). Subsequently (March 2020), the WHO classified COVID-19 outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this disease has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life.

As a result of the above and the resulting disruptions to the social and economic activities, the Group continues to assess regularly the impact of COVID-19 on its business, in particular the reduction of sales and the important erosion of certain of its revenue lines (vessel chartering, ship management etc.). The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its adverse negative impact on the business difficult to assess accurately at this stage.

The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations, the availability of the network and the ability of the organisation to cope with the lock-down situation. The effect of Covid-19 on the Group has been incorporated into the determination of the Group's estimates during the nine months period ended 30 September 2020. The estimates relating to the loss allowance on trade receivables, allowance for slow moving and obsolete inventories and impairment of vessels and goodwill have been impacted as a result of this matter.

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 make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group comprises the following main business segments:

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

4. Operating segments (continued)

Business segments (continued)

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.

Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)

4. Operating segments (continued)

For the nine-month period ended 30 September 2020 (Unaudited)

	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	106,977	2,618	56	3,936	-	(2,618)	110,969
Operating costs	(102,402)	-	(25)	(2,475)	-	2,618	(102,284)
Other income	955	-	123	5	2,127	(777)	2,433
General and administrative expenses	(2,878)	(2,718)	(133)	(2,867)	(6,597)	777	(14,416)
Loss on disposal of asset	(9,610)	-	-	-	-	-	(9,610)
Provision for impairment of vessels	(12,649)	-	-	-	-	-	(12,649)
Finance costs	(29,617)	-	-	-	(6,664)	-	(36,281)
Income tax	-	-	-	-	(1,373)	-	(1,373)
Reportable segment (loss) / profit	(49,224)	(100)	21	(1,401)	(12,507)	-	(63,211)
<i>At 30 September 2020 (Unaudited)</i>							
Reportable segment assets	1,047,472	22,675	3,067	15,062	1,545,444	(1,547,396)	1,086,324
Reportable segment liabilities	(846,645)	(25,693)	(3,829)	(10,905)	(736,380)	1,076,473	(546,979)

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

4. Operating segments (continued)

For the nine-month period ended 30 September 2019 (Unaudited)

	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	124,942	4,219	96	5,225	-	(4,127)	130,355
Operating costs	(129,042)	-	(32)	(3,342)	-	4,127	(128,289)
Other income	-	-	109	18	786	(777)	136
General and administrative expenses	(1,441)	(4,266)	(136)	(3,559)	(13,686)	777	(22,311)
Finance costs	(23,102)	(7)	-	(13)	(1,724)	-	(24,846)
Income tax	-	-	-	-	(1,373)	-	(1,373)
Reportable segment (loss) / profit	<u>(28,643)</u>	<u>(54)</u>	<u>37</u>	<u>(1,671)</u>	<u>(15,997)</u>	<u>-</u>	<u>(46,328)</u>

At 31 December 2019 (Audited)

Reportable segment assets	<u>1,179,866</u>	<u>20,951</u>	<u>803</u>	<u>17,820</u>	<u>1,553,044</u>	<u>(1,558,314)</u>	<u>1,214,170</u>
Reportable segment liabilities	<u>(964,677)</u>	<u>(23,870)</u>	<u>(1,586)</u>	<u>(9,613)</u>	<u>(717,589)</u>	<u>1,105,721</u>	<u>(611,614)</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

5. Vessels, property and equipment

- (a) During the period, the Group spent AED 2,582 thousand (30 September 2019: AED 33,649 thousand) on vessels, property and equipment. Depreciation recorded for the period amounts to AED 36,789 thousand (30 September 2019: AED 49,691 thousand)
- (b) Vessels with a net carrying value of AED 618,028 thousand (31 December 2019: AED 859,265 thousand) are mortgaged as security for bank borrowings [Note 10(a), Note 10(b), Note 10(c) and Note 10(d)].
- (c) Disposals amounting to AED 77,194 thousand (30 September 2019: AED 539 thousand) includes disposal of Gulf Mirdif vessel with carrying value of AED 77,194 thousand at sales proceed of AED 68,076 thousand. Consequently, the Group incurred a loss on disposal of the vessel amounting to AED 9,610 thousand which has been recognised in condensed consolidated statement of profit or loss and other comprehensive income. Such vessel was pledged as security under finance lease (Note 9).
- (d) During the nine-month period ended 30 September 2020, the Group has recorded a provision for impairment on vessels amounting to AED 12,649 thousand (31 December 2019: AED 178,217 thousand) using a discount rate of 9.5% (31 December 2019: 8.5%). The provision for impairment was calculated by comparing the carrying value of vessels and its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.
- (e) On 2 September 2020, one of the livestock vessel's (Gulf Livestock 1) of the Group, sank off in Japanese waters. On board were 43 comprising 39 crew of Filipino nationality, and four Charterers' representatives - 2 New Zealand and 2 Australian citizens. The vessel was carrying cattle destined to join the Chinese dairy farming and breeding programme. As a result of this incident the Group has written off the carrying value of the vessel amounting to AED 197,541 thousand. As at the date of reporting the Group has filed an insurance claim to recover the cost of the vessel.

The Group has reasonable expectation that it will be able to recover the insurance claim in full and has therefore recorded an insurance claim receivable amounting to AED 197,541 thousand for the value of the vessel.

6. Goodwill

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Cost	219,912	219,912
Less: Accumulated impairment loss	(76,449)	(76,449)
	<u>143,463</u>	<u>143,463</u>

- (a) The goodwill of AED 135,999 thousand and AED 83,913 thousand that arose at the time of the initial public offer (IPO) and acquisition of livestock vessels in 2018 respectively have been allocated to the vessel owning and charter segment of the business.
- (b) 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.
- (c) During the year ended 31 December 2019, the Group has recorded impairment on goodwill amounting to AED 76,449 thousand. As of 30 September 2020, the Group has re-assessed the impairment and have concluded that no further impairment is required.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

7. Trade and other receivables

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current		
Trade receivables [Note 7(a)]	20,404	19,397
Less: loss allowance	(3,338)	(3,338)
	17,066	16,059
Receivable on dilution of investment in a subsidiary [Note 7(b)]	14,640	14,640
Advances to suppliers	12,760	10,430
Prepayments	2,403	2,855
Insurance claim receivable [Note 5(e)]	197,541	-
Other receivables	11,484	7,014
	255,894	50,998

(a) Trade receivables include an amount of AED 7,584 thousand (31 December 2019: AED 7,584 thousand) related to a customer against which the Group has initiated legal proceedings for the recovery of its dues. Management recorded an allowance of AED 267 thousand (31 December 2019: AED 232 thousand) against the receivable as at 30 September 2020. Management's assessment is largely based on its view that the Group would be able to settle trade payables amounting to AED 7,317 thousand (30 September 2019: AED 7,317 thousand) [Note 8(a)], related to the same transaction, against the receivable balance.

(b) 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 to 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 30 September 2020, 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 outstanding.

Moreover, the Group is currently in discussions with the minority shareholder in terms of the latter's future involvement in the Group's subsidiary. A final agreement is expected to be agreed after the end of the reporting period.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

8. Trade and other payables

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Trade payables[Note8(a)]	21,927	29,248
Dividend payable	10,560	10,566
Advance from customers	10,910	10,766
Consideration payable on acquisition of a business	20,000	20,000
Interest payable on borrowings	13,002	6,000
Tax accrual	10,683	10,563
Drydocking related accruals	2,100	2,100
Provision and other payables	18,216	27,350
	<u>107,398</u>	<u>116,593</u>

- (a) Trade payables include an amount of AED 7,317 thousand (31 December 2019: AED 7,317 thousand) payable to port authorities which is expected to be settled against the receivable of AED 7,584 thousand (31 December 2019: AED 7,584 thousand) [Note 7(a)].

9. Lease liabilities

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current		
Within one year	<u>512</u>	<u>6,976</u>
Non-current		
Non-current portion	<u>256</u>	<u>53,243</u>

- (a) On 28 November 2017, the Group entered into a finance lease agreement to support the acquisition of vessels from GST. The liability was 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 nine-month period ended 30 September 2020, the Group disposed of the Gulf Mirdif vessel [Note 5(c)] and utilised its proceeds to settle the finance lease liability.
- (b) As of 30 September 2020, the lease liabilities pertaining to rights-of-use assets amounted to AED 768 thousand (30 September 2019: AED 3,304 thousand).

10. Borrowings

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current		
Term loan	282,425	109,675
Short term loan	831	7,880
	<u>283,256</u>	<u>117,555</u>
Non-current		
Term loan	<u>57,630</u>	<u>277,848</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

10. Borrowings (continued)

The movement of borrowings is summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Term-loan V AED'000	Total AED'000
Balance at 1 January 2020	-	57,639	27,411	57,504	244,969	387,523
Add: amortisation of arrangement fee	-	113	-	95	953	1,161
Add: adjustment on arrangement fee	-	-	-	43	-	43
Less: repaid during the period	-	-	-	(6,840)	(41,832)	(48,672)
Balance at 30 September 2020 (Unaudited)	-	57,752	27,411	50,802	204,090	340,055
Less: current portion	-	(19,003)	(8,530)	(50,802)	(204,090)	(282,425)
Non-current portion	-	38,749	18,881	-	-	57,630
Balance at 1 January 2019	253,681	61,713	27,759	59,377	-	402,530
Add: amortisation of arrangement fee	-	149	-	127	573	849
Add: availed during the year	-	-	-	-	257,170	257,170
Less: repaid during the year	(253,681)	(4,223)	(348)	(2,000)	(12,774)	(273,026)
Balance at 31 December 2019 (audited)	-	57,639	27,411	57,504	244,969	387,523
Less: current portion	-	(12,628)	(5,157)	(57,504)	(34,386)	(109,675)
Non-current portion	-	45,011	22,254	-	210,583	277,848

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)****10. Borrowings (continued)****(a) 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 margin and is payable in 39 quarterly instalments commencing from 1 August 2008. Final repayment of AED 253,681 thousand was made during the year ended 31 December 2019 through a restructuring agreement. The restructured loan has been presented as term loan V.

(b) 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 margin 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. During the nine-month period ended 30 September 2020, the Group has not repaid the due instalments. The Group's management are in discussions with the lender to regularise the loan and the discussions are expected to be finalised before the year-end.

(c) 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 margin and is payable in 27 equal quarterly instalments commencing from 7 December 2018 with final payment on 7 June 2025. During the nine-month period ended 30 September 2020, the Group has not repaid the due instalments. The Group's management are in discussions with the lender to regularise the loan and the discussions are expected to be finalised before the year-end.

(d) 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 margin and is payable in 16 quarterly instalments commencing from 29 May 2019 with final payment 29 November 2023. On 18 March 2020, the bank agreed to revise the facility letter and defer the instalments. As per the revised facility letter, the repayments shall begin from 27 May 2020 with final payment on 27 Nov 2023.

Term loans 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 30 September 2020, the Group remained in breach of financial covenants with its lenders for term loan IV. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 30 September 2020. As per the understanding between lenders and the Group, the Group does not believe that these loans will be called by the lenders.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

10. Borrowings (continued)

(e) Term loan V

On 19 July 2019, the Group entered into a refinancing arrangement “the Agreement” to refinance Term Loan I from borrowings. The liability is payable on a monthly basis at the rate of AED 43,920 per day for the first 12 months and AED 139,446 per day for the period of 4 years and a final repayment of AED 128,638 thousand on 19 July 2024. During the nine-month period ended, the Group repaid an amount of AED 41,831 thousand.

The management of Group has completed an assessment and have concluded that the Agreement does not qualify as a ‘sale transaction’ as defined by IFRS 15: *Revenue from Contracts with Customers* as the management has a mandatory purchase option to buy back the vessels at the end of the lease term. Accordingly, management has treated this transaction as a financing arrangement whereby previous liabilities have been settled and new liabilities have been recognised.

The significant covenant for the above financing arrangement is maintaining the leverage ratio on quarterly basis on the payment date starting three (3) months after the first drawdown and also prior to the exercise of a purchase option as depicted below:

Months	0-12	13-24	25-36	37-48	49-60
Maximum Leverage Ratio	80.00%	72.50%	65.00%	57.50%	50.00%

As of the date of these interim financial information, the Group is not in compliance with the above-mentioned covenant. However, the Group has entered into an addendum with the lender thereby agreeing that the above-mentioned covenants will not be applicable for a period commencing from 1 April 2020 to 30 September 2020. The term loan V have still been classified as current liability due to cross default clause mentioned in its financing agreement. Further, as per the addendum, the covenants have been revised as follows:

- the unrestricted cash shall not be less than 6.5% of net debt;
- the current assets at all times exceed the current liabilities; and
- the leverage ratio shall be less than 70%.

(f) Short term loan

On 7 January 2019, the Group obtained a short term murabaha facility of AED 7,346 thousand carrying fixed interest rate. During the nine-month period ended, the Group repaid the principal outstanding of AED 7,346 thousand.

11. Related party transactions and balances

- (a) The Group, in the normal course of business carries out transactions with other business enterprises that fall within the definition of a related party contained in IAS 24. These transactions are carried out at mutually agreed rates.

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities that have control, joint control or significant influence over the Group. Pricing policies and terms of these transactions are approved by the Group’s management.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

11. Related party transactions and balances (continued)

- (b) During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions.

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Finance costs - loans from related parties	<u>1,144</u>	<u>746</u>	<u>-</u>	<u>470</u>

- (c) The outstanding balance of due to a related party is as follows:

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<i>Due to a related party</i>		
<i>Joint venture</i>		
Gulf Stolt Tankers DMCCO, U.A.E.	<u>144</u>	<u>144</u>

Amount due to related party is interest free, unsecured and will be settled on demand.

(d) Loan from related parties

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Major shareholders (disclosed as non-current liability)	<u>-</u>	<u>37,443</u>
Major shareholders (disclosed as current liability)	<u>16,838</u>	<u>-</u>

The loan obtained from the major shareholders was utilised to finance dry docking of chemical tankers. During the nine-month period ended 30 September 2020, shareholder loan to the extent of AED 40,409 thousand has been settled from the proceeds received from Islamic non-convertible sukuk. The outstanding balance as of 30 September 2020 is interest free and will be repaid on 30 June 2021.

In August 2020, the Group obtained another short term loan amounting to AED 10,000 thousand from a related party. The loan is interest free and is due to be repayable within twelve months.

Key management remuneration

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Salaries, benefits and directors' fees	<u>1,423</u>	<u>3,436</u>	<u>504</u>	<u>1,263</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

12. Operating revenue

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Vessel owning and chartering	106,977	124,942	42,248	43,580
Shipping services	3,884	5,015	1,111	952
Marine product sales and distribution	56	96	21	33
Technical services	52	210	-	67
Ship management	-	92	-	-
	<u>110,969</u>	<u>130,355</u>	<u>43,380</u>	<u>44,632</u>

13. Operating costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
<i>Vessel owning and chartering:</i>				
Ship running- vessels	56,163	71,660	18,184	24,476
Vessel depreciation	26,200	39,832	8,855	13,576
Amortisation of dry docking costs	10,069	9,250	3,564	3,376
Ship running- crew boats	2,972	3,647	1,006	1,199
Ship repairs	4,379	525	1,124	276
Shipping services	2,460	3,260	677	432
Marine product sales and distribution	25	32	12	5
Technical services	16	83	1	18
	<u>102,284</u>	<u>128,289</u>	<u>33,423</u>	<u>43,358</u>

14. General and administrative expenses

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Staff costs (Note 15)	7,586	12,217	2,286	3,918
Professional fees	1,528	3,501	407	811
Foreign exchange loss	142	230	18	80
Commission on disposal of a vessel	1,872	-	-	-
Other administrative expenses	3,288	6,363	1,546	2,861
	<u>14,416</u>	<u>22,311</u>	<u>4,257</u>	<u>7,670</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

15. Staff costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Salaries and wages	6,287	10,391	1,834	3,023
Employees' end of service benefits	189	368	74	72
Other benefits	1,110	1,458	378	823
	<u>7,586</u>	<u>12,217</u>	<u>2,286</u>	<u>3,918</u>

16. Finance costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Finance costs on				
-Term loans	27,767	22,612	7,834	10,864
-Murabaha financing facility	298	628	-	197
-Loan from shareholders	1,144	746	-	470
-Islamic non-convertible sukuk	5,209	-	3,424	-
-Other loans	-	318	-	74
Other charges	1,863	542	1,762	104
	<u>36,281</u>	<u>24,846</u>	<u>13,020</u>	<u>11,709</u>

17. Share capital

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<i>Authorised:</i>		
1,019,209,250 shares (2019: 1,019,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>1,019,209</u>
<i>Issued and fully paid up:</i>		
1,019,209,250 shares (2019: 1,019,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>1,019,209</u>

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 as 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.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

18. Earnings per share

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Earnings for the period attributable to owners of the Company	(62,628)	(45,878)	(11,489)	(18,156)
Number of shares	1,019,209,250	1,019,209,250	1,019,209,250	1,019,209,250
Basic and diluted loss per share	<u>(AED 0.061)</u>	<u>(AED 0.046)</u>	<u>(AED 0.011)</u>	<u>(AED 0.018)</u>

19. Islamic non-convertible sukuk

On 16 January 2020, the Board of Directors passed a resolution to issue Islamic non-convertible sukuk amounting to AED 125,000 thousand by way of a private placement. The Group has obtained approval on 12 Mar 2020 and on 29 March 2020 from the regulatory authority and shareholders in a general meeting respectively to issue the Islamic non-convertible sukuk with the following terms:

- Security: Non-convertible Islamic sukuk
- Type of sukuk – in compliance with Islamic Shari'a
- Value of sukuk – AED 125,000 thousand
- Number of sukuk – 125,000,000
- Issuance price per sukuk: AED 1 per sukuk
- Profit rate - 12% per annum payable semi-annually
- Final dissolution/due date: 5 years from the sukuk issuance date

During the period ended 30 September 2020, Islamic non-convertible sukuk amounting to USD 24,841 thousand equivalent to AED 90,919 thousand has been subscribed and cash has been received. Cost of issuance of Islamic non-convertible sukuk amounting to AED 12,542 thousand has been set off from the principal amount.

20. Contingent assets

As per the sale framework agreement, the seller provided a guarantee that in the event the value of the livestock vessels (as determined by an independent third party valuer within a period of two years following the date of transfer of ownership of livestock vessels to the buyer) is lower than the purchase prices/values of these vessels set out in the sales contract, then seller will pay the difference in such values of these livestock vessels as determined by the sales contract and the fair valuation report determined at the time of sale. Further, the seller has also guaranteed that if the net charter rates are not achieved or in the event that these livestock vessels are out of business at any time during the five years then seller will pay an amount equal to the difference in values between the actual charter hire rate earned by the vessels and the net charter rates.

During the nine-month period ended 30 September 2020, the Board of Directors appointed a legal advisor to issue a legal opinion by evaluating the valuation performed by a third party valuer using the criteria as mentioned in the claw back clause of sale framework agreement. As per the legal advisor's opinion, based on the valuation report issued by the third party valuer which indicates that the recent valuation was higher than the purchase price, the Board of Directors decided not to pursue any legal action due to lack of any ground. Meanwhile, the Board of Directors are making an effort to negotiate the outstanding amount payable to the seller (Note 8) due to unfortunate incident of Gulf Livestock 1 vessel.

**Notes to the interim financial information
for the nine-month period ended 30 September 2020 (continued)**

21. Operating leases as lessor

The Group leases out its outstanding chemical vessels under an operating lease (time charter). The time charter runs until 2023. 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:

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Not later than one year	108,208	108,504
Between one year and five years	215,423	296,357
	<u>323,631</u>	<u>404,861</u>

22. Non-cash transaction

During the period, the Group entered into the following non-cash transactions which are not reflected in the statement of cash flow:

	Nine-month period ended 30 September	
	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
Cash flows from investing activities		
Proceeds from disposal of a vessel [Note 5(c)]	68,076	-
Cash flows from financing activities		
Repayment of lease liabilities [Note 9(a)]	(68,076)	-
	<u> </u>	<u> </u>

23. Approval of the interim financial information

The interim financial information for the period ended 30 September 2020 was approved by Board of Directors and authorised for issue on 12 November 2020.