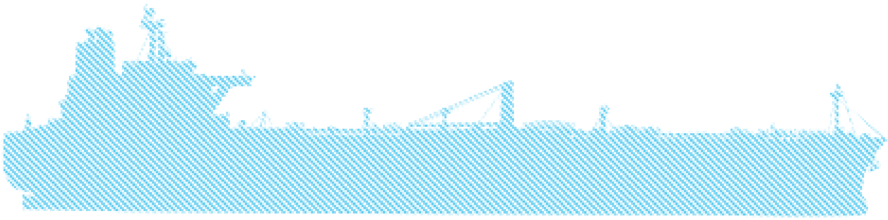
الخليج للملاحة القابضة (ش.م.ع)
Gulf Navigation Holding PJSC

2020 ANNUAL REPORT

الإمارات
THE EMIRATES



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ABOUT GULF NAVIGATION HOLDING

Gulf Navigation Holding PJSC (GNH) is a fully integrated and synergized organization and a one-stop shop with a multi-functional business providing high quality services through its subsidiaries. It is the only shipping company listed in the Dubai Financial Market (DFM) since February 2007 under the symbol "GULFNAV". The company is headquartered in Dubai, with own branch offices/warehouses inside port of Fujairah, Khorfakkan, Abu Dhabi and overseas office in the Kingdom of Saudi Arabia. GNH owns and operates a fleet of Chemical Tankers, Livestock transport vessels, Offshore support Vessels, Marine services and Ship repair operations. The company also provides innovative and comprehensive marine solutions and services. Moreover, as an ISO 9001:2015 certified company accredited by Bureau Veritas, GHN is committed to adhering to the requirements of the international management code for the safe operations of vessels, pollution prevention and environmental control including compliance with all the applicable international laws, regulations and requirements.

OUR SUBSIDIARIES

الخليج للملاحة وإدارة العمليات البحرية (ش.ذ.م.م)
Gulf Navigation Maritime and Operations Management LLC

الخليج لإدارة السفن (ش.ذ.م.م)
Gulf Ship Management LLC

الخليج للملاحة بوليمار البحرية (ش.ذ.م.م)
Gulf Navigation Polimar Maritime LLC

شركة الخليج لناقلات النفط (ش.ذ.م.م)
Gulf Crude Carriers LLC

شركة الخليج لناقلات الكيماويات (ش.ذ.م.م)
Gulf Chemical Carriers LLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors submit their report and consolidated financial statements of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2020. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held sometime within the first half of 2020.

Principal activities

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

Results and appropriation of profit

The results of the Group for the year ended 31 December 2020 are set out on page 10 of these consolidated financial statements.

Going concern

As of 31 December 2020, the Group's current liabilities exceeded its current assets by AED 333,214 thousand (2019: AED 151,995 thousand) and the Group has accumulated losses amounting to AED 724,124 thousand (2019: AED 445,195 thousand). The Group has incurred losses of AED 279,072 thousand (2019: AED 326,977 thousand) for the year then ended. 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 16(e) and Note (f)]. Moreover, the Group has been unable to pay its outstanding debts [as disclosed in Note 16(c) and 16(d)].

As at 31 December 2020, the Group's accumulated losses exceed 50% of its issued share capital and as such Article 302 of the UAE Federal Law No (2) of 2015, requires the Group to call a General Assembly to vote on either dissolving the Group or to continue its activity with an appropriate restructuring plan within 30 days of the issue of these consolidated financial statements.

The Board of Directors are considering all options to reinforce the capital structure of the Group and are in active discussions with its lenders. In this context, subsequent to the year end, the Group agreed with the bank to waive compliance of covenants for term loan V as of 31 December 2020, as disclosed in Note 16(f). 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 16(c) and 16(d)].

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

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 82,350 thousand;

4. One vessel of the Group will be sold, in accordance with the cash flow forecast; and
5. One of the shareholder will provide up to AED 18,350 thousand to fund the working capital of the Group.

The timing and realisation of these matters are not within management's control. The additional uncertainty in the reporting period of the shareholders' intentions in the General meeting as required by Article 302 of the Federal Law No (2) of 2015, to decide on whether to vote on either dissolving the Group or to continue its activity with an appropriate restructuring plan, has resulted in an uncertainty. The Directors have reasonable expectation to believe that shareholders will resolve to continue the Group based on the going concern plan.

The Group is initiating a discussion with the Securities & Commodities Authority ("SCA"), its regulatory body, in accordance with the Board of Directors Decision No. (32/R. T) of 2019, to restructure and convert the major debts of the Group into equity by way of issuing a mandatorily convertible Sukuk. The process is underway, and the matter is being handled by an external legal advisor.

Directors

The Directors of the Company during the year were as follows:

Sheikh Theyab Bin Tahnoon Bin Mohammad Al Nahyan (Chairman) – Appointed Date 31/08/2020
Mr. Abdulla Subhi Ahmed Atatreh (Vice-Chairman) – Appointed Date 31/08/2020
Mr. Mohamed Ahmad Abdulla Rasheed Alhammadi (Director) – Appointed Date 31/08/2020
Mr. Abdulaziz Fahad H. Alongary (Director) – Appointed Date 31/08/2020
Mr. Waleed Mohammad Mohammad (Director) – Appointed Date 31/08/2020
Mr. Ahmad Mohamed Fathi Kilani (Director)
Mr. Abdul Rahman Mahmoud Abdul Rahman Mohamad Al Afifi (Director)
Mr. Saeed Mubarak Rashed Al Hajeri (Chairman) – Resignation Date 11/08/2020
Mr. Ahmed Essa Ahmed Hareb Al Falahi (Vice Chairman) – Resignation Date 11/08/2020
Mr. Usama Mohamed Ali Al Barwani (Director) – Resignation Date 11/08/2020
Mr. Nureddin Sharif Mousa Sehweil (Director) – Resignation Date 11/08/2020
Mr. Ajit Vijay Joshi (Director) - Resignation Date 11/08/2020

Auditors

The consolidated financial statements of the Group have been audited by Deloitte & Touche (M.E.).

Signed by:

Dr. Abdul Rahman Al Afifi **Board Member**	**Ahmed "M.F."A. Al Kilani** **Board Member**	**Ali Abouda** **Chief Financial Officer**

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulf Navigation Holding PJSC
Dubai
United Arab Emirates

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Gulf Navigation Holding PJSC** (the "Company") **and its subsidiaries** (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a loss of AED 279 million during the year ended 31 December 2020 and, as of that date, its current liabilities exceeded its current assets by AED 333 million. The Group has breached its financial covenants with its lenders for term loan IV and V which has caused these loans to be payable on demand at 31 December 2020 and is in default on term loans II and III. As stated in Note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report.

Key audit matters	How the matter was addressed
Impairment of vessels	
As at 31 December 2020, the carrying amount of vessels amounted to AED 646.8 million, as disclosed in Note 7. Their recoverable amount is based on an assessment of the higher of fair value less cost to sell and value in use. Value in use is calculated as the net present value of estimated future cash flows, in each case on a vessel by vessel basis. In accordance with IAS 36 *Impairment of Assets,* the Group is required to test vessels for impairment if indicators of impairment are present. An impairment is recognised on the consolidated statement of profit or loss when the recoverable amount is less than the net carrying amount, as described in Note 4 to the consolidated financial statements. The determination of the recoverable amount is based on the higher of discounted future cash flows and fair value less cost to sell. We considered the impairment of vessels to be a key audit matter, given the complexity involved in the determination of the recoverable amount and the significance of the amount in the Group's consolidated financial statements. In addition, the recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections and the estimate of the discount rate.	Our audit procedures included an assessment of the design and ***implementation*** of controls over the impairment analysis and calculations. In addition, we also performed the following substantive audit procedures: ▪ Engaged our internal valuation specialist to assess the valuation of vessels and in particular, the discount rate used; ▪ Evaluated whether the models used by management to calculate the recoverable amount for each vessel complies with IFRSs; ▪ Obtained and analysed underlying assumptions provided by management to determine whether these are reasonable and supportable; ▪ Assessed the discount rates and/or Weighted Average Cost of Capital (WACC); ▪ Assessed the key revenue cash flow assumptions including projected utilisation and day rates to those achieved in prior years and signed contracts; ▪ Calculated breakeven day rates that would be required for the carrying amount to be recovered and compared these to actual day rates achieved; ▪ Compared projected costs for each vessels to those incurred in previous years and understanding and challenging variances; ▪ Reviewed projections to determine that enhancement capital expenditure has been excluded; ▪ Reperformed the arithmetical accuracy of the cash flow forecasts; and ▪ Assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Key audit matters	How the matter was addressed
Impairment of Goodwill	
As at 31 December 2020, the carrying value of goodwill amounted to AED 143.5 million, as disclosed in Note 9. In accordance with IAS 36 *Impairment of Assets*, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. An impairment is recognised on the consolidated statement of profit or loss when the recoverable amount is less than the net carrying amount, as described in Note 4 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows. We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the amount in the Group's consolidated financial statements.	We tested the impairment models and the key assumptions used by management with the involvement of our valuation specialists. Our audit procedures included the following: ▪ Understanding the business process for the impairment assessment, identifying the relevant internal controls and testing their design, and implementation over the impairment assessment process, including indicators of impairment. ▪ Evaluating whether the cash flows in the models used by management to calculate the recoverable value are in accordance with the requirements of IFRSs. ▪ Obtaining and analysing the approved business plans for each such asset (or CGU, as applicable) to assess accuracy of the computations and the overall reasonableness of key assumptions; ▪ Compared actual historical cash flow results with previous forecasts to assess forecasting accuracy. ▪ Assessing the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC) and benchmarking that with discount rates used by other similar businesses and external sector related guidelines; ▪ Benchmarking assumptions on long term growth rates of local GDP and long term inflation expectations with external sources of data published by global monetary agencies; and ▪ Benchmarking the values with market multiples where applicable. ▪ We performed sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss. We assessed the overall presentation, structure and content of the related disclosures in Note 9 to the consolidated financial statements against the requirements of IFRSs.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors' report which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear or our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the UAE Federal Law No. (2) of 2015, we report for the year ended 31 December 2020 that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Company has maintained proper books of account;
- the financial information included in the Board of Director's Report is consistent with the books of the accounts of the Company;

- the Company has not made any investments in shares and stocks during the year ended 31 December 2020;
- note 20 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- the accumulated losses of the Company as at 31 December 2020 exceeded 50% of the share capital of the Company as at 31 December 2020. As per Article 302 of the UAE Federal Law No. (2) of 2015, under such circumstances, the Directors of the Company are required to "invite the General Assembly to take a special decision to dissolve the Company prior to the expiry of its term or to continue in the activity of the Company".
- Except for the information in the preceding paragraph, based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 with any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.
- note 23 to the consolidated financial statements discloses the social contributions made during the year.

Deloitte & Touche (M.E.)

Mohammad Jallad
Registration No. 1164
31 March 2021
Dubai
United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Vessels, property and equipment	7	648,221	978,609
Rights-of-use assets	8	575	2,825
Goodwill	9	143,463	143,463
Total non-current assets		**792,259**	1,124,897
Current assets			
Inventories	10	6,443	9,875
Trade and other receivables	11	41,896	50,998
Cash and bank balances	12	21,891	28,400
Total current assets		**70,230**	89,273
Total assets		**862,489**	1,214,170
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,019,209	1,019,209
Statutory reserve	14	19,747	19,747
Accumulated losses		(724,124)	(445,195)
Other reserves		(2,724)	(2,724)
Equity attributable to owners of the Company		**312,108**	591,037
Non-controlling interests	35	11,376	11,519
Total equity		**323,484**	602,556
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits	18	1,348	1,812
Loan from related parties	20	-	37,443
Lease liabilities	15	128	53,243
Borrowings	16	54,539	277,848
Islamic non-convertible sukuk	17	79,546	-
Total non-current liabilities		**135,561**	370,346
Current liabilities			
Lease liabilities	15	486	6,976
Borrowings	16	271,272	117,555
Trade and other payables	19	114,704	116,593
Loan from related parties	20	16,838	-
Due to a related party	20	144	144
Total current liabilities		**403,444**	241,268
Total liabilities		**539,005**	611,614
Total equity and liabilities		**862,489**	1,214,170

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the consolidated financial position, financial performance and cash flows of the Group.

Dr. Abdul Rahman Al Afifi	Ahmed "M.F."A. Al Kilani	Ali Abouda
Board Member	Board Member	Chief Financail Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Revenue	21	145,852	166,261
Cost of revenue	22	(141,314)	(171,817)
Gross profit/(loss)		**4,538**	(5,556)
Other income		662	594
General and administrative expenses	23	(17,946)	(32,558)
Loss on disposal of a vessel	7	(9,610)	-
Write-off of a vessel	7	(197,541)	-
Provision for impairment of vessels	7	(12,649)	(178,217)
Provision for impairment of goodwill	9	-	(76,449)
Finance costs	26	(46,622)	(35,875)
Liabilities no longer required written back	19(a)	1,926	2,914
Loss before income tax		**(277,242)**	(325,147)
Income tax		(1,830)	(1,830)
Loss for the year		**(279,072)**	(326,977)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(279,072)**	(326,977)
Attributable to:			
Owners of the Company		(278,929)	(324,932)
Non-controlling interests		(143)	(2,045)
Total comprehensive loss for the year		**(279,072)**	(326,977)
Loss per share			
- Basic and diluted earnings per share (AED)	25	**(0.274)**	(0.324)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital	Statutory reserve	Accumulated losses	Other reserves	Total	Non-controlling interests	Islamic convertible sukuk	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2019	919,209	19,747	(120,263)	(2,380)	816,313	13,564	100,000	929,877
Conversion of sukuk into share capital (Note 13)	100,000	-	-	-	100,000	-	(100,000)	-
Sukuk conversion cost (Note 13)	-	-	-	(344)	(344)	-	-	(344)
Total comprehensive loss for the year	-	-	(324,932)	-	(324,932)	(2,045)	-	(326,977)
Balance at 31 December 2019	**1,019,209**	**19,747**	**(445,195)**	**(2,724)**	**591,037**	**11,519**	**-**	**602,556**
Total comprehensive loss for the year	-	-	(278,929)	-	(278,929)	(143)	-	(279,072)
Balance at 31 December 2020	**1,019,209**	**19,747**	**(724,124)**	**(2,724)**	**312,108**	**11,376**	**-**	**323,484**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	31 December 2020 AED'000	31 December 2019 AED'000
Cash flows from operating activities			
Loss for the year		(279,072)	(326,977)
Adjustments for:			
Depreciation of vessels, property and equipment	7	46,113	66,862
Depreciation of rights-of-use asset	8	730	1,076
Impairment of rights-of-use asset		230	-
Provision for employees' end of service benefits	18	230	467
Liabilities no longer required written back	19	(1,926)	(2,914)
Impairment of vessels, property and equipment	7	12,649	178,217
Impairment of goodwill	9	-	76,449
Write-off of a vessel	7	197,541	-
Loss on disposal of vessel, property and equipment	7	9,610	395
Loss allowance on trade receivables	11	-	2,353
Finance costs	26	46,622	35,875
Amortisation of arrangement fee		2,908	1,231
Operating cash flows before movements in working capital		**35,635**	33,034
Decrease in inventories		2,906	3,881
Decrease in due from a related party		-	1,161
Decrease in trade and other receivables		9,103	9,945
Increase in trade and other payables		(11,597)	(8,794)
Cash generated by operations		**36,047**	39,227
Employees' end of service benefits paid	18	(694)	(295)
Net cash from operating activities		**35,353**	38,932
Cash flows from investing activities			
Purchase of vessels, property and equipment	7	(3,110)	(35,488)
Proceeds from disposal of vessels, property and equipment		5,459	539
Transfer to restricted cash		(3,177)	(330)
Net cash used in investing activities		**(828)**	(35,279)
Cash flows from financing activities			
Proceeds from Islamic non-convertible bonds	17	87,572	-
Payment of lease liabilities	15	(1,120)	(1,610)
Payment of arrangement fee	17	(9,151)	(6,350)
Rights issue cost paid		-	(344)
Proceeds from new borrowings		-	263,520
Repayment of borrowings		(71,479)	(282,873)
Loan from related parties	20	10,008	36,117
Repayment of loan obtained from a related party	20	(32,019)	-
Borrowings from other parties		-	16,893
Interest paid		(28,022)	(35,215)
Net cash used in financing activities		**(44,211)**	(9,862)
Net decrease in cash and cash equivalents during the year		(9,686)	(6,209)
Cash and cash equivalents at the beginning of the year		16,921	23,130
Cash and cash equivalents at the end of the year	12	**7,235**	16,921
Restricted cash	12	14,656	11,479
Total cash and bank balances	12	**21,891**	28,400

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. LEGAL STATUS AND ACTIVITIES

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

Subsidiaries	***Principal activities***	***Country of incorporation***	***% equity interest 2020***	*2019*
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	Issuance of sukuk	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

Subsidiaries	*Principal activities*	*Country of incorporation*	*% equity interest* **2020**	*2019*
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	**n/a**	100
Durango Shipping Ltd.	Ship Owning	Marshall Islands	**100**	100

* transferred to third party on 4 June 2020

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

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

Jointly controlled entity	*Principal activity*	*Country of incorporation*	*% Equity interest* **2020**	*2019*
Gulf Stolt Tankers DMCCO ("GST") (*under liquidation*)	Ship Charter	UAE	**50%**	50%

2. GOING CONCERN

As of 31 December 2020, the Group's current liabilities exceeded its current assets by AED 333,214 thousand (2019: AED 151,995 thousand) and the Group has accumulated losses amounting to AED 724,124 thousand (2019: AED 445,195 thousand). The Group has incurred losses of AED 279,072 thousand (2019: AED 326,977 thousand) for the year then ended. 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 16(e) and Note (f)]. Moreover, the Group has been unable to pay its outstanding debts [as disclosed in Note 16(c) and 16(d)].

As at 31 December 2020, the Group's accumulated losses exceed 50% of its issued share capital and as such Article 302 of the UAE Federal Law No (2) of 2015, requires the Group to call a General Assembly to vote on either dissolving the Group or to continue its activity with an appropriate restructuring plan within 30 days of the issue of these consolidated financial statements.

The Board of Directors are considering all options to reinforce the capital structure of the Group and are in active discussions with its lenders. In this context, subsequent to the year end, the Group agreed with the bank to waive compliance of covenants for term loan V as of 31 December 2020, as disclosed in Note 16(f). 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 16(c) and 16(d)].

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

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 82,350 thousand;
4 One vessel of the Group will be sold, in accordance with the cash flow forecast; and
5 One of the shareholder will provide up to AED 18,350 thousand to fund the working capital of the Group in June 2021.

The timing and realisation of these matters are not within management's control. The additional uncertainty in the reporting period of the shareholders' intentions in the General meeting as required by Article 302 of the Federal Law No (2) of 2015, to decide on whether to vote on either dissolving the Group or to continue its activity with an appropriate restructuring plan, have resulted in an uncertainty.

The Group is initiating a discussion with the Securities & Commodities Authority ("SCA"), its regulatory body, in accordance with the Board of Directors Decision No. (32/R. T) of 2019, to restructure and convert the major debts of the Group into equity by way of issuing a mandatorily convertible Sukuk. The process is underway, and the matter is being handled by an external legal advisor.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

3.1 NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRS	Summary
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments Disclosures* relating to interest rate benchmark reform	The changes ▪ modify specific hedge accounting requirements so that entities would apply those 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; ▪ are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform; ▪ are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and ▪ require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: ▪ clarify that to be considered a business, an acquired 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 outputs; ▪ narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; ▪ add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; ▪ remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

New and revised IFRS	Summary
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 *Share-based payment*, IFRS 3 *Business Combinations*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRS 14 *Regulatory Deferral Accounts*, IAS 1 *Presentation of Financial Statements*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 34 *Interim Financial Reporting*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets*, IFRIC 12 *Service Concession Arrangements*, IFRIC 19 *Extinguishing of Financial Liabilities with Equity Instruments*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, and SIC-32 *Intangible Assets – Web Site Costs* 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	The Group has adopted the amendments to IFRS 2, IFRS 6, IFRS 15, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 21 in the current year.
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material	Three new aspects of the new definition should especially be noted: ▪ Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A). ▪ Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote. Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.
Amendments to IFRS 16 *Leases* relating to Covid-19-Related Rent Concessions	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

3.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED.

New and revised IFRSs	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*) The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.	1 January 2021
Amendments to IFRS 3 *Business Combinations* relating to Reference to the Conceptual Framework The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* relating to Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to Onerous Contracts - Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020 Makes amendments to the following standards: ▪ IFRS 1 *First-Time Adoption of International Financial Reporting Standards* – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. ▪ IFRS 9 Financial Instruments – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1 January 2022

New and revised IFRSs	Effective for annual periods beginning on or after
▪ IFRS 16 Leases – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. ▪ IAS 41 Agriculture – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	
Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	1 January 2023
Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9 The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	1 January 2023
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.	1 January 2023
Amendments to IFRS 17 *Insurance Contracts* Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: ▪ Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. ▪ Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. ▪ Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. ▪ Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.	1 January 2023

New and revised IFRSs	Effective for annual periods beginning on or after
▪ Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. ▪ Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. ▪ Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. ▪ Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. ▪ Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on these consolidated financial statements of Group in the period of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), applicable provisions of UAE Federal Commercial Companies Law No. (2) of 2015 and Articles of Association of the Company.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.
Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

When the Company loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit and loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

The financial statements of the subsidiaries owned through special purpose entities (intermediary parent companies) are prepared for the same reporting date as the Group, using consistent accounting policies.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted at Group level.

All intra-group balances, transactions, income and expenses and profits or losses resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.
Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the

Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively,

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates in accordance with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Gain from bargain purchase of acquisition of a subsidiary represents the excess of net fair value of the identifiable assets, liabilities and contingent liabilities over the aggregate of the cost of acquisition. The Group recognise the resulting gain from bargain purchase in profit or loss on the acquisition date.

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's assets in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. Gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the joint venture.

Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Vessels, property and equipment

Vessels, property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Cost incurred during the dry docking of vessels is capitalised and is depreciated based on the period in which future economic benefits associated will flow to the Group.

Depreciation is computed using the straight-line method to allocate asset's cost less their estimated residual values over their expected useful lives, as follows:

	Years
Vessels	
▪ Chemical tankers	10 - 30
▪ Livestock vessels	20 - 40
▪ Dry docking costs	3 - 5
Leasehold improvements	10
Equipment	2 - 5
Furniture & fixtures	5
Vehicles	5

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

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

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

Vessels in the course of construction are carried at cost less impairment (if any), as capital work-in-progress, and are transferred to the category of vessels when available for use.

Capital work-in-progress

Assets in the course of construction are carried at cost as capital work-in-progress, and are transferred to property, plant or equipment when the assets are ready for intended use and is depreciated in accordance with the Group's policies.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered. The Group recognises revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue from major service line is recognised as follows:

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

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

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

Inventories

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

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date on the subsidiary subject to tax, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income - interest income' line item.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in trade and other receivables as well as on financial guarantee contracts, if any. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on The Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, The Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for amortised cost assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss.

The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

Employee benefits

A provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the reporting date.

Provision is also made for the end of service benefits due to employees in accordance with the United Arab Emirates (UAE) Labour Law for their periods of service up to the reporting date except for employees for whom the provision for the end of service benefits is made in accordance with the Group's policy. The Group's policy entitles employees to end of service to the benefits as per the UAE Labour Law. The provision relating to the employees' end of service benefits is disclosed as a non-current liability. The provision relating to annual leave and leave passage is disclosed as a current liability.

For employees, eligible for UAE National Pension Plan, the Group recognises employer's contributions on accrual basis in profit or loss, determined in accordance with the relevant applicable laws. Other than the monthly pension contribution, there is no further obligation on the Group.

Foreign currencies

For the purpose of these consolidated financial statements, United Arab Emirates Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the

net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

For the Group's foreign operations, United States Dollar (USD) is the functional currency and since USD is pegged with AED, no exchange difference arise due to translation.

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Vessels, property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

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

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

Value added tax (VAT)

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 4, management has made the following judgments that has a significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern

The Directors of the Group has made an assessment of the Group's ability to continue as a going concern, as disclosed in Note 2 of these consolidated financial statements. Based on the assessment, the Directors have concluded that, in aggregate, due to the significance of the matters as disclosed in Note 2, 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.

Contingent assets

Following contingent assets have been disclosed in these consolidated financial statements:

a) *Insurance claim receivable*

As disclosed in Note 7(c) and Note 36, the Group has filed an insurance claim amounting to AED 82,350 thousand which has been approved subsequent to the year end. Management has considered the criteria specified in IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* and was concluded that the insurance claim have become virtually certain subsequent to the year end, hence no receivable was been recognised as of 31 December 2020.

b) *Guarantee for livestock vessels:*

As disclosed in Note 31 regarding to the guarantee provided by the seller of livestock vessels, based on the outcome of valuation report and opinion obtained from legal advisor, the Board of Directors have determined that the actual charter hire rates of the livestock vessels are more than guaranteed rates and the value of such livestock vessels on the expiry of two years' period is more than the purchase price, hence no contingent asset is required to be recognised in accordance with the criteria specified in IAS 37: *Provisions, Contingent Liabilities and Contingent Assets.*

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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of vessels and goodwill

Impairment exist when the carrying value of an asset or cash generating unit exceeds its recovable amount, which is the higher of its fair value less cost of disposal and its value in use. The fair value less cost of disposal calculation is based on available data from binding sales transactions, conduscted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the assets. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

The cash flows are derived from the budget of the remaining useful life of the vessels and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the vessels being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for the extrapolation purposes. These estimates are most relevant to impairment of vessels and goodwill recognised by the Group. The key assumptions used to determine the reocoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7 and 9 of these consolidated financial statements.

Estimating useful lives of vessels, property and equipment

The Group estimates the useful lives of property, vessels and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, vessels and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Allowance for slow moving obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether allowance for obsolescence should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the physical identification and the past movement of the inventory.

Impact of COVID-19

In January 2020, the World Health Organisation ("WHO") announced a global health emergency due to the outbreak of coronavirus ("COVID-19"). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. The pandemic nature of this disease has necessitated global travel restrictions and lockdowns in most countries of the world including the UAE, causing global disruption to business and economic activities.

The Group is closely monitoring the situation to manage the potential business disruption on its operations and financial performance. Having long term revenue contracts in place and by adopting various cost cutting measures, the Group has been able to mitigate the high degree of uncertainty related to COVID-19's evolution, duration and impact on the Group's business. These measures have so far helped the Group to efficiently manage the COVID-19 situation and to keep its curriculum on-track.

As the situation is rapidly evolving, the Group will continue to monitor the situation and keep adjusting its critical judgements and estimates including the inputs used for expected credit loss, macroeconomic factors, impairment of vessels and goodwill, as necessary.

6. 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 agency services to ships calling at ports; and providing workshop services for boats
- *Other:* Includes management of all divisions and administrative activities.

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

Geographical segments

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

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

	Vessel owning and chartering	Ship management	Marine product sales and distribution	Shipping and technical services	Other	Inter-segment elimination	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Operating revenue	140,239	3,000	84	5,529	-	(3,000)	145,852
Operating costs	(140,831)	-	(34)	(3,449)	-	3,000	(141,314)
Other income	478	-	174	5	1,041	(1,036)	662
General and administrative expenses	(3,053)	(3,258)	(172)	(3,602)	(8,897)	1,036	(17,946)
Finance costs	(37,290)	-	-	-	(9,332)	-	(46,622)
Provision for impairment of vessels	(12,649)	-	-	-	-	-	(12,649)
Loss on disposal of asset	(9,610)	-	-	-	-	-	(9,610)
Write-off of a vessel	(197,541)	-	-	-	-	-	(197,541)
Liabilities no longer required written back	580	-	-	-	1,346	-	1,926
Income tax	-	-	-	-	(1,830)	-	(1,830)
Reportable segment loss	**(259,677)**	**(258)**	**52**	**(1,517)**	**(17,672)**	**-**	**(279,072)**
At 31 December 2020							
Reportable segment assets	**853,853**	**22,942**	**3,175**	**19,471**	**1,536,456**	**(1,573,408)**	**862,489**
Reportable segment liabilities	**(868,855)**	**(26,118)**	**(3,906)**	**(11,439)**	**(731,116)**	**1,102,429**	**(539,005)**

	Vessel owning and chartering	Ship management	Marine product sales and distribution	Shipping and technical services	Other	Inter-segment elimination	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Operating revenue	159,162	5,440	102	6,906	-	(5,349)	166,261
Operating costs	(172,832)	-	(34)	(4,300)	-	5,349	(171,817)
Other income	-	-	114	28	1,488	(1,036)	594
General and administrative expenses	(2,024)	(6,183)	(195)	(8,535)	(16,657)	1,036	(32,558)
Finance costs	(33,407)	(7)	-	(34)	(2,427)	-	(35,875)
Provision for impairment of vessels	(178,217)	-	-	-	-	-	(178,217)
Provision for impairment of goodwill	-	-	-	-	(76,449)	-	(76,449)
Liabilities no longer required written back	54	130	-	-	2,730	-	2,914
Income tax	-	-	-	-	(1,830)	-	(1,830)
Reportable segment loss	(227,264)	(620)	(13)	(5,935)	(93,145)	-	(326,977)
At 31 December 2019							
Reportable segment assets	1,179,866	20,951	803	17,820	1,553,044	(1,558,314)	1,214,170
Reportable segment liabilities	(964,677)	(23,870)	(1,586)	(9,613)	(717,589)	1,105,721	(611,614)

7. VESSELS, PROPERTY AND EQUIPMENT

	Vessels	Leasehold improvements	Equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost							
At 1 January 2019	1,526,215	3,845	3,174	503	428	27,771	1,561,936
Additions	28,344	-	7	1	-	7,136	35,488
Transfer from capital-work-in-progress to vessels	34,907	-	-	-	-	(34,907)	-
Disposals	(538)	-	(554)	-	-	-	(1,092)
At 31 December 2019	**1,588,928**	**3,845**	**2,627**	**504**	**428**	**-**	**1,596,332**
Additions	3,110	-	-	-	-	-	3,110
Write-off [Note 7(c)]	(207,460)	-	-	-	-	-	(207,460)
Disposals [Note 7(b)]	(126,226)	-	-	-	-	-	(126,226)
At 31 December 2020	**1,258,352**	**3,845**	**2,627**	**504**	**428**	**-**	**1,265,756**
Accumulated depreciation and impairment losses							
At 1 January 2019	368,157	1,919	2,107	210	409	-	372,802
Charge for the year [Note 7(e)]	66,047	463	250	92	10	-	66,862
Disposals	-	-	(158)	-	-	-	(158)
Impairment loss [Note 7(c)]	178,217	-	-	-	-	-	178,217
At 31 December 2019	**612,421**	**2,382**	**2,199**	**302**	**419**	**-**	**617,723**
Charge for the year [Note 7(e)]	45,418	455	92	142	6	-	46,113
Write-off [Note 7(c)]d	(9,918)	-	-	-	-	-	(9,919)
Disposals [Note 7(b)]	(49,032)	-	-	-	-	-	(49,031)
Impairment loss [Note 7(d)]	12,649	-	-	-	-	-	12,649
At 31 December 2020	**611,538**	**2,837**	**2,291**	**444**	**425**	**-**	**617,535**
Carrying value							
At 31 December 2020	**646,814**	**1,008**	**336**	**60**	**3**	**-**	**648,221**
At 31 December 2019	976,507	1,463	428	202	9	-	978,609

(a) Vessels with a carrying value of AED 609,776 thousand (2019: AED 859,265 thousand) as at 31 December 2020 are mortgaged as security for bank borrowings (Note 16).

(b) Disposals represents 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 consolidated statement of profit or loss and other comprehensive income. Such vessel was pledged as security under finance lease (Note 15).

(c) 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. Gulf Livestock 1 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 amounting to AED 82,350 thousand to recover the sum insured of the vessel (Refer 36).

(d) During the year ended 31 December 2020, the Group recorded provision for impairment on vessels amounting to AED 12,649 thousand (2019: AED 178,217 thousand). 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.

The value in use of these vessels have been determined by discounting the cash flow projections from the continuing use of the vessels till the end of their useful lives. Cash flow projections are based on past experience and business plans approved by management and is based on the following assumptions:

- Revenue of time charter vessels have been determined based on rates as per the contracts where as revenue for vessels on spot charter have been determined based on expected future TCE rates;
- Vessel running cost have been determined using a mix of actual expense of prior year and budgeted expense for next year with normal inflationary impact;
- Other expenses such as dry docking has been estimated using the historical trend of such cost of the vessels and expected cost to be incurred in future;
- Residual value has been determined using the steel value at the end of useful life of vessel; and
- The net cash flows have been discounted using discount rate of 8.2% per annum (2019: 8.5% per annum).

Sensitivity analysis

As at 31 December 2020, if the discount rate used was 0.5% higher or lower, with all other variables held constant, there will be no impairment (2019: if the discount rate used was 0.5% higher, with all variable held constant, impairment will increase by AED 16,544 thousand and if the discount rate used was 0.5% lower, with all other variables held constant, the impairment loss would reduce by AED 19,415 thousand).

(a) Depreciation expense has been allocated as follows:

	2020 **AED'000**	2019 AED'000
Operating costs (Note 22)	**45,418**	66,047
General and administrative expenses (Note 23)	**695**	815
	46,113	66,862

8. RIGHT-OF-USE ASSETS

The Group has obtained office premises on lease. The lease term of such office premises is two (2019: five) years. The Group's obligations are secured by the lessor's title to the leased assets for such leases.

	Office premises AED'000
At 1 January 2019	3,901
Depreciation (Note 23)	(1,076)
At 31 December 2019	2,825
Depreciation (Note 23)	(730)
Adjustment	(1,520)
At 31 December 2020	**575**

9. GOODWILL

	2020 AED'000	2019 AED'000
Carrying value of goodwill	**219,912**	219,912
Accumulated impairment loss	**(76,449)**	(76,449)
	143,463	143,463

(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 the 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) The recoverable amount of all Cash Generating Units (CGUs) has been determined based on the higher of value-in-use or fair value less cost to sell. In order to determine the value-in-use, as mentioned in Note 7(d), its calculation uses 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. 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. Discount rate of 8.2% per annum (2019: 8.5% per annum) have been used for the discounting the cash flows. Consequently, no impairment (2019: impairment of AED 76,449 thousand) has been recorded.

(d) As at 31 December 2020, if the discount rate used was 0.5% higher or lower, with all other variables held constant, there will no impairment loss on goodwill (2019: if the discount rate used was 0.5% higher, with all other variables held constant, impairment loss would increase by AED 18,997 thousand and if the discount rate used was 0.5% lower, with all other variables held constant, the impairment loss would reduce by AED 18,388 thousand).

10. INVENTORIES

	2020 AED'000	2019 AED'000
Spare parts	**5,788**	7,241
Vessel oil and lubricants	**526**	2,564
Others	**129**	70
	6,443	9,875

(a) Inventory consumption for the year was AED 6,647 thousand (2019: AED 9,804 thousand).

11. TRADE AND OTHER RECEIVABLES

	2020 AED'000	2019 AED'000
Trade receivables [Note 11(b)]	**20,634**	19,397
Loss allowance	**(3,338)**	(3,338)
	17,296	16,059
Receivable on dilution of investment in a subsidiary [Note 11(a)]	**14,640**	14,640
Advance to suppliers	**233**	10,430
Prepayments	**2,042**	2,855
Other receivables	**7,685**	7,014
	41,896	50,998

(a) 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.

(b) The credit period on trade receivables ranges from 30 to 120 days (2019: 30 to 120 days) from invoice date. Before accepting any new customer, the Group assesses the potential customer's credit quality and assigns credit limits by customer. Credit limits and credit scoring attributed to customers are reviewed at regular intervals. Of the trade receivables balance at the end of the year AED 12,276 thousand (2019: AED 11,554 thousand) representing 59% (2019: 60%) of the total receivables is due from 4 customers (2019: 4 customers). There are no other customers who represent more than 5% of the total trade receivables at the reporting date.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated on the basis of a loss rate approach by segmenting its debtors on the basis of shared risk characteristics at initial recognition. In order to develop its loss rates, the Group considers the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and forward looking elements of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base:

	Expected credit loss rate	Gross carrying amount AED'000	Impaired receivables AED'000	Net receivables AED'000
31 December 2020				
0 to 90 days	**0%**	**5,454**	**-**	**5,454**
91 to 120 days	**0%**	**2,108**	**-**	**2,108**
121 to 150 days	**0%**	**86**	**-**	**86**
151 to 365 days	**0%**	**572**	**-**	**572**
More than 365 days	**27%**	**12,414**	**3,338**	**9,076**
		20,634	**3,338**	**17,296**
31 December 2019				
0 to 90 days	0.2%	5,054	8	5,046
91 to 120 days	1.7%	362	6	356
121 to 150 days	2.5%	244	6	238
151 to 365 days	27.1%	3,267	886	2,381
More than 365 days	23.2%	10,470	2,432	8,038
		19,397	3,338	16,059

(c) The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed AED'000	Individually assessed AED'000	Total AED'000
Balance as at 31 December 2018	-	985	985
Net re-measurement of loss allowance	-	2,353	2,353
Balance as at 31 December 2019	-	3,338	3,338
Net re-measurement of loss allowance	-	-	-
Balance as at 31 December 2020	**-**	**3,338**	**3,338**

(d) Trade receivables include an amount of 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 against the receivable as at 31 December 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 [Note 19 (b)], related to the same transaction, against the receivable balance.

12. CASH AND CASH EQUIVALENTS

	2020 AED'000	2019 AED'000
Cash on hand	**124**	157
Cash at banks	**21,767**	28,243
Cash and bank balances	**21,891**	28,400
Restricted cash [Note 12(a)]	**(14,656)**	(11,479)
Cash and cash equivalents	**7,235**	16,921

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

(b) Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the United Arab Emirates. Accordingly, the management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Group have assessed that the impairment amount is immaterial, and hence have not recorded any loss allowances on these balances.

(c) The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 January 2020 AED'000	**Net financing cash flows AED'000**	**Non-cash changes AED'000**	**At 31 December 2020 AED'000**
Bank borrowings [Note 16(a)]	**387,523**	**(89,641)**	**27,098**	**324,980**
Short term loans [Note 16(g)]	**7,880**	**(7,346)**	**297**	**831**
Loan from related parties (Note 20)	**37,443**	**(24,482)**	**3,877**	**16,838**
Lease liability (Note 15)	**60,219**	**(1,120)**	**(58,485)**	**614**
Islamic non-convertible sukuk (Note 17)	**-**	**78,378**	**1,168**	**79,546**
	493,065	**(44,211)**	**(26,045)**	**422,809**

	At 1 January 2019 AED'000	Net financing cash flows AED'000	Non-cash changes AED'000	At 31 December 2019 AED'000
Bank borrowings [Note 16(a)]	402,530	(46,867)	31,860	387,523
Short term loans [Note 16(g)]	-	6,969	911	7,880
Loan from related parties (Note 20)	-	36,117	1,326	37,443
Lease liabilities (Note 15)	61,447	(5,737)	4,509	60,219
Rights issue cost	-	(344)	344	-
	463,977	(9,862)	38,950	493,065

13. SHARE CAPITAL

	2020 AED'000	2019 AED'000
Authorised:		
1,019,209,250 shares (2019: 1,019,209,250 shares) of AED 1 each	**1,019,209**	1,019,209
Issued and fully paid up:		
1,019,209,250 shares (2019: 1,019,209,250 shares) of AED 1 each	**1,019,209**	1,019,209

On 28 February 2019, the Group 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 consolidated statement of changes in equity.

14. STATUTORY RESERVE

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

15. LEASE LIABILITIES

	2020	2019
	AED'000	AED'000
Amounts payable under leases:		
Within one year	**486**	19,401
Between two to five years	**128**	66,873
	614	86,274
Less: Finance charges applicable to future years	**-**	(26,055)
Present value of lease obligations	**614**	60,219
Within one year	**486**	6,976
Between 2-5 years	**128**	53,243
	614	60,219
Less: Current portion	**(486)**	(6,976)
Non-current portion	**128**	53,243

(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 year ended 31 December 2020, the Group disposed of the Gulf Mirdif vessel [Note 7(b)] and utilised its proceeds to settle the finance lease liability.

(b) As of 31 December 2020, the lease liabilities pertaining to rights-to-use assets amounted to AED 614 thousand (2019: AED 2,825 thousand).

16. BORROWINGS

	2020	2019
	AED'000	AED'000
Current		
Term loan [Note 16(a)]	**270,441**	109,675
Short term loan [Note 16(g)]	**831**	7,880
	271,272	117,555
Non-current		
Term loan [Note 16(a)]	**54,539**	277,848

(a) The movements in 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**	**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	-	150	-	127	1,270	1,547
Add: availed during the year	-	-	-	43	-	43
Less: repaid during the year	-	-	-	(11,680)	(52,453)	(64,133)
Balance at 31 December 2020	-	**57,789**	**27,411**	**45,994**	**193,786**	**324,980**
Less: Current portion	-	(21,127)	(9,534)	(45,994)	(193,786)	(270,441)
Non-current portion	-	**36,662**	**17,877**	-	-	**54,539**

The movements of bank borrowings are summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Term-loan V AED'000	Total AED'000
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	-	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

(b) 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.

(c) Term loan II

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support the 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 year ended 31 December 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 subsequent to the year-end.

(d) 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 a final payment on 7 June 2025. During the year ended 31 December 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 subsequent to the year-end.

(e) 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 a 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 31 December 2020, the Group remained in breach of financial covenants with its lenders for term loan IV. Such breach has rendered the loan to be technically payable on demand and as such, it is classified as current at 31 December 2020. 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.

(f) Term loan V

On 19 July 2019, the Group entered into a refinancing arrangement "the Agreement" to refinance Term Loan I. 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 and it carries interest at IBOR plus margin. During the year ended 31 December 2020, 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%

In addition to above, following covenants are also applicable:

- 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%.

As of the date of these consolidated financial statements, the Group is not in compliance with the above-mentioned covenant. However, subsequent to the year end, the Group has entered into an addendum with the lender to waive the compliance of such covenants as of 31 December 2020. The term loan V has still been classified as current liability as the side letter was signed subsequent to the year end.

(g) Short term loans

On 7 January 2019, the Group obtained a short term murabaha facility of AED 7,346 thousand carrying fixed interest rate. During the year ended 31 December 2020, the Group repaid the principal outstanding of AED 7,346 thousand. The remaining amount represents interest payable on this facility.

17. 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 31 December 2020, Islamic non-convertible sukuk amounting to USD 23,927 thousand equivalent to AED 87,572 thousand has been subscribed and cash has been received. Cost of issuance of Islamic non-convertible sukuk amounting to AED 9,915 thousand has been set off from the principal amount.

18. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2020 AED'000	2019 AED'000
Balance at 1 January	**1,812**	1,640
Charge for the year (Note 24)	**230**	467
Payments during the year	**(694)**	(295)
Balance at 31 December	**1,348**	1,812

Provision for employees' end of service benefits is made in accordance with the UAE labour law, and is based on current remuneration and cumulative years of service at the reporting date.

19. TRADE AND OTHER PAYABLES

	2020 AED'000	2019 AED'000
Trade payables [Note 19(b)]	**27,601**	29,248
Dividend payable	**10,554**	10,566
Advance from customers	**12,332**	10,766
Consideration payable on acquisition of a business [Note 19(d)]	**20,000**	20,000
Interest payable on borrowings	**14,587**	6,000
Tax accrual [Note 19(c)]	**7,667**	10,563
Dry-docking related accruals	**1,171**	2,100
Provisions and other payables	**20,792**	27,350
	114,704	116,593

(a) The Group was able to derecognise liabilities totalling AED 1,926 thousand (2019: AED 2,914 thousand) during the year ended 31 December 2020 which is included within 'Liabilities no longer required written back' in profit or loss.

(b) Trade payables include an amount of AED 7,317 thousand payable to port authorities which is expected to be settled against the receivable of AED 7,584 thousand [Note 11(d)].

(c) During the year ended 31 December 2018, a branch of the Group received a letter from the tax authorities noting that the branch's returns for the financial years from 2010 to 2016 did not comply with the tax regulations. In Q4 of 2018, the Group entered into an agreement with the tax authorities for an amount of AED 18 million towards full and final settlement of its tax dues for prior years up to 2016. Out of AED 18 million, the Group has settled AED 7 million as of 31 December 2018. During the year ended 31 December 2019, the Group made the payment of AED 4.7 million.
As of 31 December 2020, the Group continues to recognise provision prospectively based on the agreement with tax authorities. The Group has also recorded provision on the 1% penalty of the due balance.

(d) During 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 was payable on 31 December 2020 and 31 December 2019.

20. RELATED PARTY TRANSACTIONS

(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.

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

	2020 **AED'000**	2019 AED'000
Finance cost – loans from related parties (Note 26)	**1,144**	1,326

(c) The outstanding balances of amount due to a related party is given below:

	2020 **AED'000**	2019 AED'000
Joint Venture		
Gulf Stolt Tankers DMCCO, UAE	**144**	144

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

	2020 **AED'000**	2019 AED'000
(d) ***Loan from related parties***		
Major shareholders (disclosed as non-current liability)	**-**	37,443
Major shareholders (disclosed as current liability)	**16,838**	-

The loan obtained from the major shareholders was utilised to finance dry docking of chemical tankers. During the year ended 31 December 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 31 December 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.

(e) ***Key management remuneration***

	2020 AED'000	2019 AED'000
Salaries and other benefits	**1,710**	3,654
End of service benefits	**39**	85

The key management remuneration excludes expenses reimbursed amounting to AED 12 thousand (2019: AED 166 thousand).

(f) The Directors of the Group have not charged any fees to the Group during the year ended 31 December 2020 and 2019.

21. OPERATING REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major streams of revenue. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (Note 6).

	2020 AED'000	2019 AED'000
Over a period of time		
Vessel chartering	**140,239**	159,162
Shipping services	**5,477**	6,622
At a point in time		
Marine products sales and distribution	**84**	102
Technical services	**52**	284
Ship management	**-**	91
	145,852	166,261

22. OPERATING COSTS

	2020 AED'000	2019 AED'000
Vessel chartering:		
Ship running - vessels	**84,033**	95,722
Ship running - crew boats	**3,326**	4,841
Depreciation of vessels (excluding crew boats) and dry docking cost [Note 7(e)]	**45,418**	66,047
Ship repair	**5,053**	873
Shipping services:		
Operating costs	**3,434**	4,199
Marine products sales and distribution	**34**	34
Technical services	**16**	101
	141,314	171,817

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED'000	2019 AED'000
Staff costs (Note 24)	**8,905**	15,456
Professional fees	**1,915**	3,922
Foreign exchange loss	**332**	939
Commission on disposal of a vessel	**1,872**	-
Depreciation of rights-of-use (Note 8)	**730**	1,076
Depreciation of vessels, property and equipment [Note 7(e)]	**695**	815
Others	**3,497**	10,350
	17,946	32,558

The Group did not make any social contributions during the year ended 31 December 2020 (2019: Nil).

24. STAFF COSTS

	2020 AED'000	2019 AED'000
Salaries and wages	**7,680**	13,153
Employees' end of service benefits (Note 18)	**230**	467
Other benefits	**995**	1,836
	8,905	15,456

25. LOSS PER SHARE

	2020	2019
Loss for the year attributable to the Owners of the Company (AED'000)	**(278,929)**	(324,932)
Number of shares (Note 13)	**1,019,209,250**	1,019,209,250
Basic and diluted loss per share	**AED (0.274)**	AED (0.324)

Basic loss per share is calculated by dividing the loss attributable to owners of the Group by the weighted average number of ordinary shares in issue.

26. FINANCE COSTS

	2020 AED'000	2019 AED'000
Finance cost on:		
- Term loans	**35,440**	33,246
- Murabaha financing facility	**298**	837
- Loan from shareholders [Note 20(b)]	**1,144**	1,326
- Islamic non-convertible sukuk	**7,877**	-
- Other loans	**-**	201
Other charges	**1,863**	265
	46,622	35,875

27. OPERATING LEASES AS A LESSOR

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

	2020 AED'000	2019 AED'000
Not later than one year	**108,208**	108,504
Between one year and five years	**188,149**	296,357
	296,357	404,861

28. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2020 AED'000	2019 AED'000
Financial assets		
At amortised cost		
Trade and other receivables (excluding advance to suppliers and prepayments) (Note 11)	**39,621**	37,713
Cash and bank balances (Note 12)	**21,891**	28,400
	61,512	66,113
Financial liabilities		
At amortised cost		
Trade and other payables (excluding advance from customers) (Note 19)	**102,372**	105,827
Borrowings (Note 16)	**325,811**	395,403
Loan from related parties (Note 20)	**16,838**	37,443
Due to a related party (Note 20)	**144**	144
Lease liability (Note 15)	**614**	60,219
Islamic non-convertible sukuk (Note 17)	**79,546**	-
	525,325	599,036

b) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair values of financial assets and financial liabilities approximate their respective carrying values in the statement of financial position as at the end of the reporting period.

29. COMMITMENTS

Capital expenditure commitment

The capital expenditure commitment of Group amounted to AED 1,171 thousand (2019: AED 3,219 thousand).

30. GUARANTEES

	2020	2019
	AED'000	AED'000
Bank guarantees	**105**	105

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

31. CONTINGENCIES

Contingent liabilities

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

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

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

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 year ended 31 December 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 to waive the outstanding amount payable to the seller [Note 19(d)] due to unfortunate incident of Gulf Livestock 1 vessel.

32. FINANCIAL RISK MANAGEMENT

32.1. FINANCIAL RISK FACTORS

Overview

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.
The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the finance department under the policies approved by the Board of Directors. The Group Finance team identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, profit rate risk and credit risk and investing excess liquidity. Key financial risk management reports are produced monthly on a Group level and provided to the key management personnel of the Group.

Market risk

Foreign exchange risk

The Group is not significantly exposed to foreign exchange risk as the majority of its sales, purchases and borrowings are primarily denominated in the respective functional currencies of Group companies or in AED which is pegged to USD. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

Price risk

The Group is not exposed to any significant price risk.

Fair value profit rate risk

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

Cash flow profit rate risk

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

The Group's profit rate risk is monitored by the Group's management on a monthly basis. The profit rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's profit rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined profit rate shift. The scenarios are run only for liabilities that represent the major profit-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Had the bank borrowing profit rate shifted by 50 basis points (in the case of floating profit rates) and all other variables remained unchanged, the net (loss)/profit and equity of the Group would have changed by AED 2,027 thousand for the year ended 31 December 2020 (2019: AED 2,384 thousand) accordingly.

Credit risk

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

The credit quality of the financial assets held with banks can be assessed by reference to external credit ratings as follows:

	Rating (Moody's)			
	2020	2019	**2020**	2019
Counterparty	**AED'000**	AED'000	**AED'000**	AED'000
Banks				
A	**Aa1**	Aa1	**6,715**	13,454
B	**Aa3**	Aa3	**10,554**	10,564
C	**A2**	Baa1	**387**	49
D	**A1**	A2	**2,603**	2,781
E	**A1**	A1	**-**	915
F	**A2**	A3	**82**	430
G	**Baa1**	Baa1	**27**	27
H	**A1**	Aa3	**14**	23
I	**Aa3**	n/a	**1,342**	-
J	**Baa1**	n/a	**43**	-
Cash at banks (Note 12)			**21,767**	28,243

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

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors the rolling forecast of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities and also to cover the future capital requirements. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal consolidated statement of financial position ratio targets.

The following are the contractual maturities of financial liabilities, including estimated finance cost payments and including the impact of netting agreements:

	Carrying amount	*Contractual cash flows*	*Less than 1 year*	*One to five years*
	AED'000	***AED'000***	***AED'000***	***AED' 000***
At 31 December 2020				
Trade and other payables (excluding advance from customers and dividend payable)	**91,818**	**91,818**	**91,818**	-
Due to a related party (Note 20)	**144**	**144**	**144**	-
Borrowings (Note 16)	**325,811**	**390,404**	**141,189**	**249,215**
Lease liability (Note 15)	**614**	**614**	**486**	**128**
Islamic non-convertible sukuk (Note 17)	**79,545**	**140,115**	**15,763**	**124,352**
Loan from related parties (Note 20)	**16,838**	**16,838**	**16,838**	-
	514,770	**639,933**	**266,238**	**373,695**
At 31 December 2019				
Trade and other payables (excluding advance from customers and dividend payable)	95,261	95,261	95,261	-
Due to a related party (Note 20)	144	144	144	-
Borrowings (Note 16)	395,403	484,374	140,251	344,123
Lease liabilities (Note 15)	60,219	83,150	17,772	65,378
Loan from related parties (Note 20)	37,443	37,443	37,443	-
	588,470	**700,372**	**290,871**	**409,501**

The future finance cost in respect of bank borrowings amounts to AED 59,521 thousand (2019: AED 36,983 thousand). The payment profile of this finance cost is as follows:

	2020	2019
	AED'000	AED'000
Not later than one year	**22,391**	16,188
Between one year and five years	**37,130**	20,795
	59,521	36,983

33. CAPITAL RISK MANAGEMENT

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

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

	2020	2019
	AED'000	AED'000
Total borrowings (Note 15, 16, 17 and 20)	**422,809**	493,065
Cash and cash equivalents (Note 12)	**(7,235)**	(16,921)
Net debt	**415,574**	476,144
Total equity	**323,484**	602,556
Total capital	**739,058**	1,078,700
Gearing ratio	**56.23%**	44.14%

34. NON-CASH TRANSACTION

During the year ended 31 December 2020, the Group entered into the following non-cash transactions which are not reflected in the statement of cash flow:

	2020	2019
	AED'000	AED'000
Cash flows from operating activities		
Increase in inventories	**(526)**	-
Decrease in accrued interest	**(4,703)**	-
Cash flows from investing activities		
Proceeds from disposal of a vessel [Note 7(b)]	**62,617**	-
Cash flows from financing activities		
Repayment of lease liabilities [Note 15(a)]	**(57,388)**	-

35. NON-CONTROLLING INTERESTS

Summarised financial information in respect of the Gulf Navigation Polimar Maritime LLC, UAE that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020	2019
	AED'000	AED'000
Non-current assets	**6,024**	6,342
Current assets	**36,923**	37,121
Current liabilities	**10,824**	10,955
Non-current liabilities	**528**	557
Equity attributable to the owner of the Company	**20,219**	20,433
Equity attributable to non-controlling interest	**11,376**	11,519
Revenue	**11,128**	13,013
Total expenses	**11,485**	18,124
Net loss and total comprehensive income for the year	**(357)**	(5,111)
Total comprehensive loss attributable to the owners of the Company	**(214)**	(3,067)
Total comprehensive loss attributable to non-controlling interest	**(143)**	(2,044)
Net cash generated from operating activities	**9**	(44)
Net cash used in investing activities	**-**	(1)
Net cash used in financing activities	**-**	-

36. NON-ADJUSTING SUBSEQUENT EVENTS

Subsequent to the year ended 31 December 2020, the insurance company have approved the insurance claim receivable amounting to AED 82,350 thousand [Refer Note 7(c)] and as of the date of approval of these consolidated financial statements, the Group have received AED 18,529 thousand. The remaining amount of claim is expected to be recovered in April 2020.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 were approved by Board of Directors and authorised for issue on 31 March 2021.

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