

Gulf Navigation Holding PJSC

**Review report and interim financial information
for the period ended 30 September 2019**

Gulf Navigation Holding PJSC

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Gulf Navigation Holding PJSC, Dubai, United Arab Emirates** (the "Company") and its **Subsidiaries** (together referred to as the "Group") as at 30 September 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month period ended 30 September, 2019, and the condensed consolidated changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

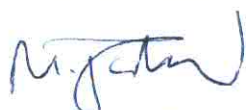
Conclusion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 19 March 2019. Furthermore, the interim financial information of the Group for the nine-month period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified conclusion on 13 November 2018.

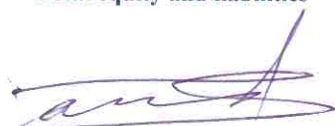
Deloitte & Touche (M.E.)



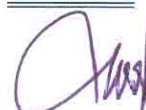
Mohammad Jallad
Registration No.: 1164
23 October 2019
Dubai
United Arab Emirates

**Condensed consolidated statement of financial position
as at 30 September 2019**

	Notes	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
ASSETS			
Non-current asset			
Vessels, property and equipment	5	1,172,553	1,189,134
Rights-of-use assets	2	3,094	3,901
Goodwill	6	219,912	219,912
Total non-current assets		1,395,559	1,412,947
Current assets			
Inventories		12,632	13,756
Due from a related party	11	329	1,017
Trade and other receivables	7	54,025	63,297
Cash and bank balances		36,228	34,279
Total current assets		103,214	112,349
Total assets		1,498,773	1,525,296
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,019,209	919,209
Statutory reserve		19,747	19,747
Accumulated losses		(166,141)	(120,263)
Other reserves	17	(2,724)	(2,380)
Equity attributable to owners of the Company		870,091	816,313
Non-controlling interests		13,114	13,564
Islamic convertible sukuk		-	100,000
Total equity		883,205	929,877
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		1,765	1,640
Lease liabilities	9	54,868	57,784
Borrowings	10	305,875	78,695
Total non-current liabilities		362,508	138,119
Current liabilities			
Lease liabilities	9	5,588	3,663
Trade and other payables	8	107,667	129,802
Loan from related parties	11	26,210	-
Borrowings	10	113,595	323,835
Total current liabilities		253,060	457,300
Total liabilities		615,568	595,419
Total equity and liabilities		1,498,773	1,525,296



Saeed Mubarak Rashed Al Hajeri
Chairman



Ahmed Essa Ahmed Hareb Al Falahi
Vice Chairman

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

**Condensed consolidated statement of profit or loss and other comprehensive income
for the nine-month period ended 30 September 2019**

	Notes	Nine month period ended 30 September		Three month period ended 30 September	
		2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Operating revenue	12	130,355	109,953	44,632	38,816
Operating costs	13	<u>(128,289)</u>	<u>(83,296)</u>	<u>(43,358)</u>	<u>(27,016)</u>
Gross profit		2,066	26,657	1,274	11,800
Other income		136	401	46	188
General and administration expenses	14	<u>(22,311)</u>	<u>(36,578)</u>	<u>(7,670)</u>	<u>(9,809)</u>
Operating loss for the period		(20,109)	(9,520)	(6,350)	2,179
Finance costs	16	<u>(24,846)</u>	<u>(16,380)</u>	<u>(11,709)</u>	<u>(5,358)</u>
Share of results of joint ventures - net		-	(578)	-	189
Liabilities no longer required written back		<u>-</u>	<u>8,727</u>	<u>-</u>	<u>-</u>
Loss before income tax		(44,955)	(17,751)	(18,059)	(2,990)
Income tax		<u>(1,373)</u>	<u>-</u>	<u>(458)</u>	<u>-</u>
Loss for the period		(46,328)	(17,751)	(18,517)	(2,990)
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u>(46,328)</u>	<u>(17,751)</u>	<u>(18,517)</u>	<u>(2,990)</u>
Attributable to:					
Owners of the Company		<u>(45,878)</u>	<u>(18,157)</u>	<u>(18,156)</u>	<u>(2,969)</u>
Non-controlling interests		<u>(450)</u>	<u>406</u>	<u>(361)</u>	<u>(21)</u>
		<u>(46,328)</u>	<u>(17,751)</u>	<u>(18,517)</u>	<u>(2,990)</u>
Loss per share attributable to owners of the Company					
Basic and diluted (AED)	18	<u>(0.046)</u>	<u>(0.022)</u>	<u>(0.018)</u>	<u>(0.004)</u>

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

**Condensed consolidated statement of changes in equity
for the nine-month period ended 30 September 2019**

	Attributable to Owners of the Company							
	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000	Non-controlling interests AED'000	Islamic convertible sukuk AED'000	Total AED'000
Balance at 1 January 2018 (audited)	551,667	19,747	(80,247)	-	491,167	13,454	-	504,621
Share capital issued	367,542	-	-	-	367,542	-	-	367,542
Rights issue cost	-	-	-	(2,380)	(2,380)	-	-	(2,380)
Total comprehensive loss for the period (unaudited)	-	-	(18,157)	-	(18,157)	406	-	(17,751)
Balance at 30 September 2018 (unaudited)	919,209	19,747	(98,404)	(2,380)	838,172	13,860	-	852,032
Balance at 1 January 2019 (audited and restated)	919,209	19,747	(120,263)	(2,380)	816,313	13,564	100,000	929,877
Conversion of sukuk into share capital (Note 17)	100,000	-	-	-	100,000	-	(100,000)	-
Sukuk conversion cost (Note 17)	-	-	-	(344)	(344)	-	-	(344)
Total comprehensive loss for the period (unaudited)	-	-	(45,878)	-	(45,878)	(450)	-	(46,328)
Balance at 30 September 2019 (unaudited)	1,019,209	19,747	(166,141)	(2,724)	870,091	13,114	-	883,205

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

**Condensed consolidated statement of cash flows
for the nine-month period ended 30 September 2019**

	<i>Nine-month period ended</i>	
	30 September 2019 AED'000 (Unaudited)	30 September 2018 AED'000 (Unaudited)
Cash flows from operating activities		
Loss for the period	(46,328)	(17,751)
<i>Adjustments for:</i>		
Depreciation (Note 5)	49,691	37,964
Rights-of-use asset amortisation	807	-
Share of results of joint ventures – net	-	578
Provision for employees' end of service benefits (Note 15)	368	277
Liabilities no longer required written back	-	(8,727)
Finance costs (Note 16)	24,846	16,380
Amortisation of arrangement fees	748	-
Operating cash flows before changes in operating assets and liabilities	30,132	28,721
Decrease / (increase) in inventories	1,124	(539)
Decrease in due from a related party	688	1,971
Decrease / (increase) in trade and other receivables	9,272	(11,257)
(Increase) / decrease in restricted cash	(335)	36
Decrease in trade and other payables	(24,908)	(39,014)
	15,973	(20,082)
Employees' end of service benefits paid	(243)	(190)
Net cash generated from / (used in) operating activities	15,730	(20,272)
Cash flows from investing activity		
Purchase of vessels, property and equipment (Note 5)	(33,649)	(55,844)
Proceeds from disposal of vessels, property and equipment	539	-
Net cash used in investing activity	(33,110)	(55,844)
Cash flows from financing activities		
Funds received from rights issue	-	367,542
Sukuk conversion / issuance cost paid	(344)	(2,380)
Payment of lease liabilities (Note 9)	(1,277)	-
Payment of arrangement fee (Note 9)	(6,350)	-
Proceeds from new borrowings (Note 10)	263,520	30,000
Repayment of borrowings (Note 10)	(257,585)	(36,894)
Loan from related parties	26,210	-
Borrowings from other parties (Note 10)	16,893	-
Interest paid	(22,073)	(15,153)
Net cash generated from financing activities	18,994	343,115
Net increase in cash and cash equivalents during the period	1,614	266,999
Cash and cash equivalents at the beginning of the period	23,130	28,035
Cash and cash equivalents at the end of the period	24,744	295,034
Restricted cash	11,484	10,602
Total cash and bank balances	36,228	305,636

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2019**

1. Legal status and activities

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

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>30 Sept 2019</i>	<i>31 Dec 2018</i>
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC	Ship Charter, etc.	UAE	100	100
Gulf Navigation Group FZCO	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
GulfNav Ship Management FZE	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
Gulf Crude Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Chemical Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Navigation Polimar Maritime LLC	Sea Shipping Lines Agents	UAE	60	60
Gulf Ship Management DMCC (deregistered on 6 February 2019)	Ship Management and Operation etc.	UAE	n/a	100
Gulf Navigation and Brokerage LLC	Ship Brokerage	Oman	100	100
Gulf Eyadah Corporation	Ship Owning	Panama	100	100
Gulf Huwaylat Corporation	Ship Owning	Panama	100	100
Gulf Deffi Corporation	Ship Owning	Panama	100	100
Gulf Jalmuda Corporation	Ship Owning	Panama	100	100
Gulf Fanatir Corporation	Ship Owning	Panama	100	100
Gulf Navigation Mishref Limited	Ship Owning	Cayman Islands	100	100
Gulf Navigation Mirdif Limited	Ship Owning	Cayman Islands	100	100
Gulf Navigation Sukuk Limited	Unlimited	Cayman Islands	100	100
Gulf Maritime Ship Management LLC	Ship Management and Operations	UAE	100	100
Gulf Ship Management Co LLC	Ship Management and Operations, etc	UAE	100	100

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

1. Legal status and activities (continued)

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest 30 Sept 2019</i>	<i>31 Dec 2018</i>
Gulf Navigation Mishref Limited	Ship Charter	Liberia	100	100
Gulf Navigation Mirdif Limited	Ship Charter	Liberia	100	100
Gulf Ahmadi Shipping Inc *	Ship Owning	Marshall Islands	n/a	100
Gulf Shagra Shipping Inc *	Ship Owning	Marshall Islands	n/a	100
Gulf Navigation Ship Owning LLC	Ship Charter, etc	UAE	100	100
Gulf Navigation Livestock Carriers Ltd., Inc.	Ship Owning	Panama	100	100
Gulf Navigation Livestock Carriers 1 Ltd., Inc.	Ship Owning	Panama	100	100
Gulf Navigation Livestock Carriers 2 Ltd., Inc.	Ship Owning	Panama	100	100
Kabedah S.A.	Ship Owning	Panama	100	100
Al Mawashi Compania Naviera S.A.	Ship Owning	Panama	100	100
Durango Shipping Ltd.	Ship Owning	Marshall Islands	100	100

* annulled on 4 April 2019

The Group has the following branches:

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

* ceased operations on 17 April 2018

** incorporated on 25 April 2018

*** incorporated on 03 July 2018

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

1. Legal status and activities (continued)

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

<i>Jointly controlled entity</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>	
			<i>30 Sept 2019</i>	<i>31 Dec 2018</i>
Gulf Stolt Tankers DMCCO ("GST")	Ship Charter	UAE	50	50

2. Basis of preparation and accounting policies

Basis of preparation

The interim financial information of the Group for the nine-month period ended 30 September 2019 has been prepared in accordance with IAS 34 "*Interim Financial Reporting*" and the applicable requirements of the laws in the U.A.E. This interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Basis of consolidation

The interim financial information at and for the nine-month period ended 30 September 2019, comprises results of the Company and its subsidiaries. The interim financial information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

Going concern

As at 30 September 2019, the Group had deficit in working capital (i.e. excess of current liabilities over current assets) of AED 149.8 million. This is majorly due to the fact that as at 30 September 2019, the Group remained in breach of financial covenants with its lenders for term loan IV. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 30 September 2019. The Group's management are in discussions with the lenders to regularise the loan with better terms including new lines for working capital requirements to meet its current obligations. Hence, the directors do not believe that these loans will be called by the lenders.

Based on management assessment, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing this interim financial information.

Changes in accounting policy and disclosures

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

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

2. Basis of preparation and accounting policies (continued)

IFRS 16 Leases (1 January 2019)

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

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

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

The effect of adoption IFRS 16 is as follows:

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

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

Consolidated statement of financial position as of 1 January 2018 has not been presented as the impact on opening retained earnings is immaterial.

a) Nature of the effect of adoption of IFRS 16

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

2. Basis of preparation and accounting policies (continued)

Changes in accounting policy and disclosures (continued)

IFRS 16 Leases (1 January 2019) (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

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

b) Summary of new accounting policies

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

Right-of-use assets

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

Right-of-use assets are subject to impairment.

Lease liabilities

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

Significant judgement in determining the lease term of contracts with renewal options

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

Functional and presentation currency

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

2. Basis of preparation and accounting policies (continued)

Significant accounting policies

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

Financial risk management

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

3. Critical accounting estimates and judgements

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

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

4. Operating segments

Business segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group's Executive Committee who makes strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group comprises the following main business segments:

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

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

Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)

4. Operating segments (continued)

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

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	124,942	4,219	96	5,225	-	(4,127)	130,355
Operating costs	(129,042)	-	(32)	(3,342)	-	4,127	(128,289)
Other income	-	-	109	18	786	(777)	136
General and administrative expenses	(1,441)	(4,266)	(136)	(3,559)	(13,686)	777	(22,311)
Finance costs	(23,102)	(7)	-	(13)	(1,724)	-	(24,846)
Income tax	-	-	-	-	(1,373)	-	(1,373)
Reportable segment profit / (loss)	(28,643)	(54)	37	(1,671)	(15,997)	-	(46,328)
<i>At 30 September 2019 (Unaudited)</i>							
Reportable segment assets	1,509,565	20,205	2,888	18,464	1,360,930	(1,413,279)	1,498,773
Reportable segment liabilities	(959,647)	(22,559)	(3,622)	(7,592)	(582,959)	960,811	(615,568)

Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)

4. Operating segments (continued)

For the nine-month period ended 30 September 2018 (Unaudited)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	97,417	3,838	313	11,857	-	(3,472)	109,953
Operating costs	(78,256)	-	(193)	(8,319)	-	3,472	(83,296)
Other income	55	-	106	7	809	(576)	401
General and administrative expenses	(1,691)	(4,833)	(137)	(2,035)	(28,458)	576	(36,578)
Finance costs	(15,802)	-	-	-	(578)	-	(16,380)
Share of results of joint ventures - net	(578)	-	-	-	-	-	(578)
Liabilities no longer required written back	3,550	-	-	-	5,177	-	8,727
Reportable segment profit / (loss)	4,695	(995)	89	1,510	(23,050)	-	(17,751)

At 31 December 2018 (Audited and restated)

Reportable segment assets	1,933,122	17,169	11,555	16,440	1,383,046	(1,836,036)	1,525,296
Reportable segment liabilities	(1,263,771)	(19,469)	(12,602)	(2,639)	(679,000)	1,382,062	(595,419)

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

5. Vessels, property and equipment

During the period, the Group spent AED 33,649 thousand (30 September 2018: AED 55,844 thousand) on vessels, property and equipment. The Group also disposed of a vessel with the carrying amount of AED 539 thousand. Depreciation recorded for the period amounts to AED 49,691 thousand (30 September 2018: AED 37,964 thousand)

Vessels with a net carrying value of AED 1,015,269 thousand (31 December 2018: AED 1,091,158 thousand) are mortgaged as security for bank borrowings [Note 10(a), Note 10(b), Note 10(c) and Note 10(d)].

The carrying value of vessels held under finance leases was AED 115,659 thousand (31 December 2018: AED 121,148 thousand). Leased assets are pledged as security for the related finance leases (Note 9).

6. Business Combination

(a) Subsidiary acquired

In 2018, the Group obtained control of Gulf Navigation Livestock Carrier Ltd. Inc, a wholly owned subsidiary of Aksab Investments LLC, which is registered in the Republic of Panama, for a purchase consideration of AED 420,000 thousand. Out of AED 420,000 thousand, an amount of AED 20,000 thousand is payable as at 30 September 2019 and 31 December 2018 (Note 8). During the period, the Group finalised the purchase price allocation and accordingly, a goodwill of AED 83,913 thousand has been recognised.

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

	31 December 2018 AED'000 (Audited and restated)
Assets	
Vessels	336,087
Total identifiable net assets (restated fair value)	336,087
Less: Consideration paid and payable	420,000
Goodwill (restated)	83,913
Cash flow on acquisition	AED'000
Net cash acquired	-
Net cash outflow on acquisition	(400,000)

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

6. Business Combination (continued)

(b) Goodwill

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Balance at 1 January	219,912	135,999
Addition during the period / year [Note 6(a)]	-	83,913
Balance 30 September 2019/31 December 2018	<u>219,912</u>	<u>219,912</u>

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

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

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

7. Trade and other receivables

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Current		
Trade receivables [Note 7(a)]	18,023	18,737
Less: loss allowance	(985)	(985)
	<u>17,038</u>	<u>17,752</u>
Receivable on dilution of investment in a subsidiary [Note 7(b)]	14,640	14,640
Advances to suppliers	210	3,464
Prepayments	3,936	3,515
Receivable towards sale of a vessel [Note 7(c)]	10,092	16,104
Other receivables	8,109	7,822
	<u>54,025</u>	<u>63,297</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

7. Trade and other receivables (continued)

- (a) 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 232 thousand against the receivable as at 30 September 2019. 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 8), related to the same transaction, against the receivable balance.
- (b) In 2017, the Group sold 40% of the Group's shareholding in Gulf Navigation Polimar Maritime LLC (previously known as Gulf Navigation Maritime LLC) (a subsidiary) effective from 1 January 2017 in exchange for cash and in-kind consideration totalling to AED 18,666 thousand. In accordance with *IFRS 10 - Consolidated Financial Statements*, the net gain of AED 3,245 thousand on the sale of the interest in Gulf Navigation Polimar Maritime LLC was credited in equity. As of 30 September 2019, the Group has received AED 4,026 thousand out of the total sales consideration of AED 18,666 thousand and the residual balance of AED 14,640 thousand is outstanding.

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

- (c) This represents balance amount receivable for vessels sold in 2018. The Group has post dated cheque for this amount due to mature on 4 October 2019. During the nine-month period ended 30 September 2019, the Group has obtained a loan facility against this post dated cheque. The principal amount obtained from this loan facility has been presented as borrowings (Note 10). Subsequent to the date of this interim financial information, the Group has received the net amount from customer and the loan has been settled.

8. Trade and other payables

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Trade payables	29,953	37,141
Dividend payable	10,569	10,600
Advance from customers	3,569	7,138
Consideration payable on acquisition of a business [Note 6(a)]	20,000	20,000
Interest payable on borrowings	4,340	3,491
Tax accrual	9,923	13,220
Drydocking related accruals	1,737	9,728
Provision and other payables	27,576	28,484
	107,667	129,802

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 7(a)].

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

9. Lease liabilities

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Current		
Within one year	5,588	3,663
Non-current		
Non-current portion	54,868	57,784

- (a) On 28 November 2017, the Group entered into a finance lease agreement to support the acquisition of vessels from GST. The liability is payable on a monthly basis at the rate of AED 28,548 per day for the period of 5 years and a final repayment of AED 44,718 thousand on 29 November 2022. During the period, the Group repaid an amount of AED 160 thousand (year ended 31 December 2018: AED 7,410 thousand).
- (b) As of 30 September 2019, the lease liabilities pertaining to rights-to-use assets amounted to AED 3,304 thousand (2018: AED 3,650 thousand).

10. Borrowings

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Current		
Term loan	96,702	323,835
Short term loan	16,893	-
	<u>113,595</u>	<u>323,835</u>
Non-current		
Term loan	<u>305,875</u>	<u>78,695</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

10. Borrowings (continued)

The movement of borrowings is summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Total AED'000
Balance at 1 January 2019	253,681	61,713	27,759	59,377	402,530
Add: amortization of arrangement fee	255	112	-	95	462
Add: Received during the period	257,170	-	-	-	257,170
Less: repaid during the period	(254,131)	(2,125)	(329)	(1,000)	(257,585)
Balance at 30 September 2019 (Unaudited)	256,975	59,700	27,430	58,472	402,577
Less: current portion	(20,410)	(12,600)	(5,220)	(58,472)	(96,702)
Non-current portion	236,565	47,100	22,210	-	305,875
Balance at 1 January 2018	305,385	70,064	-	-	375,449
Add: availed during the period	-	-	30,000	-	30,000
Less: repaid during the period	(28,004)	(6,264)	-	-	(34,268)
Balance at 30 September 2018 (Unaudited)	277,381	63,800	30,000	-	371,181
Less: current portion	(277,381)	(8,350)	(3,894)	-	(289,625)
Non-current portion	-	55,450	26,106	-	81,556

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

10. Borrowings (continued)

(a) Term loan I

The term-loan of AED 676,331 thousand was availed by the Group to acquire chemical tankers costing AED 795,684 thousand. This loan carries interest at LIBOR plus margin and is payable in 39 quarterly instalments commencing from 1 August 2008. Final repayment of AED 253,681 thousand was made during the period.

On 17 July 2019, the Group restructured the financing arrangement by way of sale and lease back agreement with another financial institution which enables it to make earlier repayment of the term loan. The restructuring is similar to a financing arrangement whereby previous liabilities have been settled and new liabilities have been recognised.

On 19 July 2019, the Group entered into a refinancing arrangement “the Agreement” to refinance Term Loan I from borrowings. The liability is payable on a monthly basis at the rate of AED 43,920 per day for the first 12 months and 139,446 per day for the period of 4 years and a final repayment of AED 128,638 thousand on 19 July 2024. During the period, the Group repaid an amount of AED 192 thousand.

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%

The first quarter for the above covenant falls on 19 October 2019. As of the date of these financials, the Group has not breached the above covenant.

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.

(b) Term loan II

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

(c) Term loan III

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

(d) Term loan IV

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

10. Borrowings (continued)

(d) Term loan IV

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

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

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

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

As at 30 September 2019, the Group remained in breach of financial covenants with its lenders for term loan IV. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 30 September 2019. The Group's management are in discussions with the lenders to regularise the loan and do not believe that these loans will be called by the lenders.

(e) Short term loans

- (i) On 7 January 2019, the Group obtained a short term murabaha facility of AED 7,346 thousand carrying fixed interest rate. The short term loan was due to mature in April 2019 however the maturity was extended to 31 December 2019.
- (ii) On 26 May 2019, the Group obtained a cheque discounting facility by discounting a post-dated cheque for maximum of 90% (AED 8,755 thousand) of the cheque's amount. The amount is due to mature on 4 October 2019 and the discount rate applied on the post-dated cheque is 10% [Note 7(c)]. Subsequent to the date of this interim financial information, the group has settled this short term loan.

11. Related party transactions and balances

The Group enters into transactions with personnel that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties comprise companies' shareholders and key management personnel. The management decides on the terms and conditions of the transactions and of the services received/rendered from/to related parties as well as on other charges.

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

11. Related party transactions and balances (continued)

Related party transactions

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

	Nine month period ended 30 September		Three month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance costs - loans from related parties	746	544	224	-

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

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
<i>Due from related parties</i>		
<i>Joint venture</i>		
Gulf Stolt Tankers DMCCO, U.A.E.	329	1,017

For the nine-month period ended 30 September 2019, the Group has not recorded impairment of receivables relating to amounts owed by related parties (31 December 2018: Nil).

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
<i>Loan from related parties</i>		
Major shareholders	26,210	-

The loan obtained from the major shareholders was utilised to finance dry docking of chemical tankers. The terms of the loan are in an agreed form and as such, interest cost on the loan has been accrued for the period ended 30 September 2019.

Key management remuneration

	Nine month period ended 30 September		Three month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, benefits and directors' fees	3,436	4,464	1,263	1,227

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

12. Operating revenue

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Vessel owning and chartering	124,942	97,417	43,580	34,085
Shipping services	5,015	11,370	952	4,454
Marine product sales and distribution	96	313	33	44
Technical services	210	487	67	142
Ship management	92	366	-	91
	<u>130,355</u>	<u>109,953</u>	<u>44,632</u>	<u>38,816</u>

13. Operating costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Vessel owning and chartering:</i>				
Ship running- vessels	71,660	33,902	24,476	10,282
Vessel depreciation	39,832	32,039	13,576	10,807
Amortisation of dry docking costs	9,250	5,420	3,376	2,429
Ship running- crew boats	3,647	2,645	1,199	648
Ship repairs	525	778	276	27
Shipping services	3,260	8,180	432	2,761
Marine product sales and distribution	32	193	5	26
Technical services	83	139	18	36
	<u>128,289</u>	<u>83,296</u>	<u>43,358</u>	<u>27,016</u>

14. General and administrative expenses

	Nine month period ended 30 September		Three month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (Note 15)	12,217	12,489	3,918	3,930
Professional fees	3,501	6,191	811	4,130
Foreign exchange loss	230	4,112	80	73
Provision for legal case	259	6,261	259	-
Other administrative expenses	6,104	7,525	2,602	1,676
	<u>22,311</u>	<u>36,578</u>	<u>7,670</u>	<u>9,809</u>

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

15. Staff costs

	Nine month period ended 30 September		Three month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and wages	10,391	10,315	3,023	3,299
Employees' end of service benefits	368	277	72	96
Other benefits	1,458	1,897	823	535
	<u>12,217</u>	<u>12,489</u>	<u>3,918</u>	<u>3,930</u>

16. Finance costs

	Nine month period ended 30 September		Three month period ended 30 September	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank borrowings	21,488	15,836	10,001	5,358
Other loans	3,358	544	1,708	-
	<u>24,846</u>	<u>16,380</u>	<u>11,709</u>	<u>5,358</u>

17. Share capital

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Authorised:		
1,019,209,250 shares (2018: 1,000,000,000 shares) of AED 1 each	<u>1,019,209</u>	<u>1,000,000</u>
Issued and fully paid up:		
1,019,209,250 shares (2018: 919,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>919,209</u>

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

**Notes to the interim financial information
for the nine-month period ended 30 September 2019 (continued)**

18. Earnings per share

	Nine month period ended 30 September		Three month period ended 30 September	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Loss for the period attributable to owners of the Company	(45,878)	(18,157)	(18,156)	(2,969)
Number of shares	1,019,209,250	919,209,250	1,019,209,250	919,209,250
Basic and diluted loss per share	<u>(AED 0.046)</u>	<u>(AED 0.022)</u>	<u>(AED 0.018)</u>	<u>(AED 0.004)</u>

19. Operating leases as lessor

The Group leases out its outstanding chemical vessels under an operating lease (time charter). The time charter runs until 2023. The lease rental is usually negotiated to reflect market rentals upon entering into/renewal of the charter. Future minimum lease rentals receivables under the non-cancellable operating leases (excluding those owned by the joint venture) are as follows:

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited and restated)
Not later than one year	108,504	106,578
Between one year and five years	323,631	395,495
Beyond five years	-	6,880
	<u>432,135</u>	<u>508,953</u>

20. Approval of the interim financial information

The interim financial information for the period ended 30 September 2019 was approved by Board of Directors and authorised for issue on 23 October 2019.