

Gulf Navigation Holding PJSC

**Review report and interim financial information
for the six months period ended 30 June 2020**

Gulf Navigation Holding PJSC

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Shareholders
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 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month and six-month period then ended 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the interim financial information, concerning the Group’s ability to continue as a going concern. The Group incurred a loss of AED 51,666 thousand during the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: AED 27,811 thousand) and, as of that date, the Group’s current liabilities exceeded its current assets by AED 324,406 thousand (31 December 2019: AED 151,995 thousand). The Group has breached its financial covenants with its lenders for term loan IV and V thereby rendering these loans to be technically payable on demand at 30 June 2020 as the lenders have the right to request for immediate repayment of AED 298,832 thousand. Moreover, the Group has been unable to pay its outstanding debts for term loan II and III.

The Group has been in negotiation with lenders on a longer term solution to its capital structure, which includes the re-profiling of payment obligations and covenant amendments. To date, it has received a covenant waiver for term loan V.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of Gulf Navigation Holding PJSC (continued)

Material Uncertainty Related to Going Concern (continued)

In performing their assessment of going concern, the Board of Directors have considered forecast cash flows for a period of more than 12 months from the date of issuance of this interim financial information. The timing and realisation of a number of key assumptions within the forecasts are not wholly within management's control and require the successful negotiations with the Group's lenders.

These events or conditions, along with other matters as set forth in Note 2 to the interim financial information, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Deloitte & Touche (M.E.)

A handwritten signature in blue ink, appearing to read "M. Jallad", with a stylized flourish at the end.

Mohammad Jallad
Registration No.: 1164
11 August 2020
Dubai
United Arab Emirates

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

	Notes	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Non-current assets			
Vessels, property and equipment	5	872,565	978,609
Rights-of-use assets		767	2,825
Goodwill	6	143,463	143,463
Total non-current assets		1,016,795	1,124,897
Current assets			
Inventories		8,485	9,875
Trade and other receivables	7	55,104	50,998
Cash and bank balances		51,276	28,400
Total current assets		114,865	89,273
Total assets		1,131,660	1,214,170
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,019,209	1,019,209
Statutory reserve		19,747	19,747
Accumulated losses		(496,334)	(445,195)
Other reserves	17	(2,724)	(2,724)
Equity attributable to Owners of the Company		539,898	591,037
Non-controlling interests		10,992	11,519
Total equity		550,890	602,556
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		1,603	1,812
Lease liabilities	9	384	53,243
Loan from related parties	11	-	37,443
Borrowings	10	60,845	277,848
Islamic non-convertible sukuk	19	78,667	-
Total non-current liabilities		141,499	370,346
Current liabilities			
Lease liabilities	9	1,299	6,976
Borrowings	10	323,944	117,555
Trade and other payables	8	107,054	116,593
Loan from related party	11	6,830	-
Due to a related party	11	144	144
Total current liabilities		439,271	241,268
Total liabilities		580,770	611,614
Total equity and liabilities		1,131,660	1,214,170

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

Mr. Ahmad Kilani
Director

Mr. Nashat Helal
CFO

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 six months period ended 30 June 2020**

	Notes	Six month period ended 30 June		Three month period ended 30 June	
		2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Operating revenue	12	67,589	85,723	34,075	40,691
Operating costs	13	<u>(68,861)</u>	<u>(84,931)</u>	<u>(32,637)</u>	<u>(43,094)</u>
Gross (loss)/profit		(1,272)	792	1,438	(2,403)
Other income		2,292	90	2,086	31
General and administration expenses	14	(10,159)	(14,641)	(6,308)	(6,882)
Loss on disposal of asset		(9,610)	-	(9,610)	-
Provision for impairment of vessels	5	(8,741)	-	(8,741)	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating loss for the period		(27,490)	(13,759)	(21,135)	(9,254)
Finance costs	16	<u>(23,261)</u>	<u>(13,137)</u>	<u>(11,982)</u>	<u>(7,043)</u>
Loss before income tax		(50,751)	(26,896)	(33,117)	(16,297)
Income tax		<u>(915)</u>	<u>(915)</u>	<u>(457)</u>	<u>(457)</u>
Loss for the period		(51,666)	(27,811)	(33,574)	(16,754)
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u>(51,666)</u>	<u>(27,811)</u>	<u>(33,574)</u>	<u>(16,754)</u>
Attributable to:					
Owners of the Company		(51,139)	(27,722)	(33,213)	(16,704)
Non-controlling interests		<u>(527)</u>	<u>(89)</u>	<u>(361)</u>	<u>(50)</u>
		<u>(51,666)</u>	<u>(27,811)</u>	<u>(33,574)</u>	<u>(16,754)</u>
Earnings per share attributable to owners of the Company					
Basic and diluted (AED)	18	<u>(0.0502)</u>	<u>(0.0281)</u>	<u>(0.0326)</u>	<u>(0.0169)</u>

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

**Condensed consolidated statement of changes in equity
for the six months period ended 30 June 2020**

	Attributable to Owners of the Company					Non- controlling interests	Islamic convertible sukuk	Total
	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2019 (audited and restated)	919,209	19,747	(120,263)	(2,380)	816,313	13,564	100,000	929,877
Conversion of Sukuk into share capital (Note 17)	100,000	-	-	-	100,000	-	(100,000)	-
Sukuk conversion cost (Note 17)	-	-	-	(344)	(344)	-	-	(344)
Total comprehensive loss for the period (unaudited)	-	-	(27,722)	-	(27,722)	(89)	-	(27,811)
Balance at 30 June 2019 (unaudited)	1,019,209	19,747	(147,985)	(2,724)	888,247	13,475	-	901,722
Balance at 1 January 2020 (audited)	1,019,209	19,747	(445,195)	(2,724)	591,037	11,519	-	602,556
Total comprehensive loss for the period (unaudited)	-	-	(51,139)	-	(51,139)	(527)	-	(51,666)
Balance at 30 June 2020 (unaudited)	1,019,209	19,747	(496,334)	(2,724)	539,898	10,992	-	550,890

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

**Condensed consolidated statement of cash flows
for the six months period ended 30 June 2020**

	<i>Six-month period ended</i>	
	30 June 2020	30 June 2019
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss for the period	(51,666)	(27,811)
<i>Adjustments for:</i>		
Depreciation of vessels, property and equipment	24,195	32,535
Depreciation of rights-of-use asset	538	538
Impairment of rights-of-use asset	230	-
Provision for impairment of vessels	8,741	-
Provision for employees' end of service benefits	115	295
Loss on disposal of vessel	9,610	-
Finance costs (Note 16)	23,261	13,137
Amortisation of arrangement fees	1,255	138
Operating cash flows before changes in operating assets and liabilities	16,279	18,832
Decrease in inventories	864	503
Decrease in due from a related party	-	688
(Increase)/decrease in trade and other receivables	(4,106)	11,579
Increase in restricted cash	(5,514)	(249)
Decrease in trade and other payables	(15,894)	(1,608)
Cash (used in)/generated from operations	(8,371)	29,745
Employees' end of service indemnity paid	(324)	(135)
Net cash (used in)/generated from operating activities	(8,695)	29,610
Cash flows from investing activities		
Purchase of vessels, property and equipment	(4,085)	(33,750)
Proceeds from disposal of vessels, property and equipment	5,459	539
Net cash generated from/(used in) investing activities	1,374	(33,211)
Cash flows from financing activities		
Proceeds from Islamic non-convertible sukuk	90,919	-
Arrangement fee paid	(12,499)	(344)
Payment of lease liabilities	(50)	(1,021)
Repayment of borrowings (Note 10)	(4,379)	(7,541)
Loan from related parties	-	25,916
Repayment of loan obtained from a related party	(32,019)	-
Borrowings from other parties (Note 10)	-	16,101
Repayment of borrowings from other parties	(7,348)	-
Interest paid	(9,941)	(13,072)
Net cash (used in)/generated from financing activities	(24,683)	20,039
Net increase in cash and cash equivalents during the period	17,362	16,438
Cash and cash equivalents at the beginning of the period	16,921	23,130
Cash and cash equivalents at the end of the period	34,283	39,568
Restricted cash	16,993	11,398
Total cash and bank balances	51,276	50,966

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

**Notes to the interim financial information
for the six months period ended 30 June 2020**

1. Legal status and activities

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

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>30 Jun 2020</i>	<i>31 Dec 2019</i>
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC	Ship Charter, etc.	UAE	100	100
Gulf Navigation Group FZCO	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
GulfNav Ship Management FZE	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
Gulf Crude Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Chemical Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Navigation Polimar Maritime LLC	Sea Shipping Lines Agents	UAE	60	60
Gulf 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 six months period ended 30 June 2020 (continued)**

1. Legal status and activities (continued)

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest 30 Jun 2020</i>	<i>31 Dec 2019</i>
Gulf Navigation Mishref Limited	Ship Charter	Liberia	100	100
Gulf Navigation Mirdif Limited	Ship Charter	Liberia	100	100
Gulf Navigation Ship Owning LLC	Ship Charter, etc	UAE	100	100
Gulf Navigation Livestock Carriers Ltd., Inc.	Ship Owning	Panama	100	100
Gulf Navigation Livestock Carriers 1 Ltd., Inc.	Ship Owning	Panama	100	100
Gulf Navigation Livestock Carriers 2 Ltd., Inc.	Ship Owning	Panama	100	100
Kabedah S.A.	Ship Owning	Panama	100	100
Al Mawashi Compania Naviera S.A.*	Ship Owning	Panama	-	100
Durango Shipping Ltd.	Ship Owning	Marshall Islands	100	100

The Group has the following branches:

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

* transferred to third on 4 June 2020

**Notes to the interim financial information
for the six months period ended 30 June 2020 (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 Jun 2020</i>	<i>31 Dec 2019</i>
Gulf Stolt Tankers DMCCO (“GST”) (under liquidation)	Ship Charter	UAE	50	50

2. Basis of preparation and accounting policies

Basis of preparation

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

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

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

Basis of consolidation

The interim financial information at and for the six-month period ended 30 June 2020, comprises results of the Company and its subsidiaries. The interim financial information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

Going concern

As of 30 June 2020, the Group’s current liabilities exceeded its current assets by AED 324,406 thousand (31 December 2019: AED 151,995 thousand) and the Group has accumulated losses amounting to AED 496,334 thousand (31 December 2019: AED 445,195 thousand). The Group has incurred losses of AED 51,666 thousand (six-month period ended 30 June 2019: AED 27,811 thousand) and have generated negative cash flows from operating activities amounting to AED 8,695 thousand for the six-month period then ended. Further the Group has breached its financial covenants with its lenders for term loan IV and V thereby rendering the loan to be technically payable on demand [as disclosed in Note 10(d) and 10(e)]. Moreover, the Group has been unable to pay its outstanding debts [as disclosed in Note 10(b) and 10(c)].

Although these events indicate that a material uncertainty exists that may casts significant doubt on the Group’s ability to continue as a going concern, the shareholders of the Group, on 29 March 2020, approved issuance of an Islamic non-convertible Sukuk amounting to AED 125,000 thousand. During the period, the Group has received cash against the issuance of Islamic non-convertible Sukuk except for AED 37,181 thousand which is expected to be received in November 2020 from a related party (Note 19). The proceeds from issuance of the Islamic non-convertible sukuk has been utilised to settle overdue liabilities, shareholders’ loan, repayment of debts and to meet the working capital requirements of the Group.

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

2. Basis of preparation and accounting policies (continued)

Going concern (continued)

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

Further, the Group have also taken various operational steps including securing contracts for off-hire vessels and reducing the excess administrative cost that will result in improved profitability in the following months.

The Board of Directors, after considering the above-mentioned facts and reviewing the Group's cash flow forecasts, for a period of not less than twelve months, have a reasonable expectation that the Group will have adequate resources to continue its 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 2019, except for the adoption of new standards effective as of 1 January 2020 which are as follows. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2020.

Effective for annual periods beginning during the financial year beginning 1 January 2020:

- Amendments to references to the Conceptual Framework in IFRS standards;
- Definition of Business - amendments to IFRS 3;
- Definition of Material – amendments to IAS 1 and IAS 8;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7; and
- Covid-19-Related Rent Concessions – amendments to IFRS 9.

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

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

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

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

2. Basis of preparation and accounting policies (continued)

Functional and presentation currency

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

Significant accounting policies

The Group has consistently applied the accounting policies and methods of computation used in the preparation of the last published annual consolidated financial statements for the year ended 31 December 2019.

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

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements at and for the year ended 31 December 2019.

3. Critical accounting estimates and judgements

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's interim financial information for the year ended 31 December 2019 except as given below.

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

3. Critical accounting estimates and judgements (continued)

As a result of the above and the resulting disruptions to the social and economic activities, the Group continues to assess regularly the impact of COVID-19 on its business, in particular the reduction of sales and the important erosion of certain of its revenue lines (vessel chartering, ship management etc.). The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its adverse negative impact on the business difficult to assess accurately at this stage. The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations, the availability of the network and the ability of the organisation to cope with the lock-down situation. The effect of Covid-19 on the Group has been incorporated into the determination of the Group's estimates during the six months period ended 30 June 2020. The estimates relating to the loss allowance on trade receivables, allowance for slow moving and obsolete inventories and impairment of vessels and goodwill have been impacted as a result of this matter.

4. Operating segments

Business segments

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

The Group comprises the following main business segments:

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

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

Geographical segments

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

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

4. Operating segments (continued)

For the six-month period ended 30 June 2020 (Unaudited)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	64,729	1,983	35	2,825	-	(1,983)	67,589
Operating costs	(69,032)	-	(13)	(1,799)	-	1,983	(68,861)
Other income	847	-	92	5	1,866	(518)	2,292
General and administrative expenses	(2,773)	(1,947)	(98)	(2,034)	(3,825)	518	(10,159)
Loss on disposal of asset	(9,610)	-	-	-	-	-	(9,610)
Provision for impairment of vessels	(8,741)	-	-	-	-	-	(8,741)
Finance costs	(20,035)	-	-	-	(3,226)	-	(23,261)
Income tax	-	-	-	-	(915)	-	(915)
Reportable segment (loss)/profit	(44,615)	36	16	(1,003)	(6,100)	-	(51,666)

At 30 June 2020 (Unaudited)

Reportable segment assets	1,092,039	22,480	926	22,355	1,571,965	(1,578,105)	1,131,660
Reportable segment liabilities	(891,725)	(25,363)	(1,693)	(15,247)	(753,034)	1,106,292	(580,770)

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

4. Operating segments (continued)

For the six-month period ended 30 June 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	81,363	2,843	63	4,206	-	(2,752)	85,723
Operating costs	(84,764)	-	(27)	(2,892)	-	2,752	(84,931)
Other income	-	-	75	8	525	(518)	90
General and administrative expenses	(759)	(2,855)	(80)	(2,263)	(9,202)	518	(14,641)
Finance costs	(12,070)	-	-	-	(1,067)	-	(13,137)
Income tax	-	-	-	-	(915)	-	(915)
Reportable segment (loss)/profit	<u>(16,230)</u>	<u>(12)</u>	<u>31</u>	<u>(941)</u>	<u>(10,659)</u>	<u>-</u>	<u>(27,811)</u>
<i>At 31 December 2019 (Audited)</i>							
Reportable segment assets	<u>1,179,866</u>	<u>20,951</u>	<u>803</u>	<u>17,820</u>	<u>1,553,044</u>	<u>(1,558,314)</u>	<u>1,214,170</u>
Reportable segment liabilities	<u>(964,677)</u>	<u>(23,870)</u>	<u>(1,586)</u>	<u>(9,613)</u>	<u>(717,589)</u>	<u>1,105,721</u>	<u>(611,614)</u>

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

4. Operating segments (continued)

For the three-month period ended 30 June 2020 (Unaudited)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	32,750	992	18	1,307	-	(992)	34,075
Operating costs	(32,792)	-	(10)	(827)	-	992	(32,637)
Other income	683	-	57	(1)	1,606	(259)	2,086
General and administrative expenses	(2,672)	(903)	(39)	(978)	(1,975)	259	(6,308)
Loss on disposal of asset	(9,610)	-	-	-	-	-	(9,610)
Provision for impairment of vessels	(8,741)	-	-	-	-	-	(8,741)
Finance costs	(9,710)	-	-	13	(2,285)	-	(11,982)
Income tax	-	-	-	-	(457)	-	(457)
Reportable segment loss	(30,092)	89	26	(486)	(3,111)	-	(33,574)

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

4. Operating segments (continued)

For the three-month period ended 30 June 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	39,155	1,376	25	1,511	-	(1,376)	40,691
Operating costs	(43,565)	-	(10)	(895)	-	1,376	(43,094)
Other income	-	-	24	6	260	(259)	31
General and administrative expenses	(256)	(1,407)	(42)	(1,147)	(4,289)	259	(6,882)
Finance costs	(6,194)	-	-	-	(849)	-	(7,043)
Income tax	-	-	-	-	(457)	-	(457)
Reportable segment loss	<u>(10,860)</u>	<u>(31)</u>	<u>(3)</u>	<u>(525)</u>	<u>(5,335)</u>	<u>-</u>	<u>(16,754)</u>

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

5. Vessels, property and equipment

- (a) During the period, the Group spent AED 4,085 thousand (30 June 2019: AED 33,750) on vessels, property and equipment. Depreciation recorded for the period amounts to AED 24,195 thousand (30 June 2019: AED 32,535 thousand)
- (b) Vessels with a net carrying value of AED 832,996 thousand (31 December 2019: AED 859,265 thousand) are mortgaged as security for bank borrowings [Note 10(a), Note 10(b), Note 10(c) and Note 10(d)].
- (c) Disposals amounting to AED 77,194 thousand (30 June 2019: AED 539 thousand) includes disposal of Gulf Mirdiff vessel with carrying value of AED 77,194 thousand at sales proceed of AED 68,076 thousand. Consequently, the Group incurred loss on disposal of vessel amounting to AED 9,610 thousand which has been recognised in condensed consolidated statement of profit or loss and other comprehensive income. Such vessel was pledged as security under finance lease (Note 9).
- (d) During the six-month period ended 30 June 2020, the Group has recorded provision for impairment on vessels amounting to AED 8,741 thousand (31 December 2019: AED 178,217 thousand) using discount rate of 9.5% (31 December 2019: 8.5%). The provision for impairment was calculated by comparing the carrying value of vessels and its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

6. Goodwill

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

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

7. Trade and other receivables

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current		
Trade receivables [Note 7(a)]	22,031	19,397
Less: loss allowance	(3,338)	(3,338)
	18,693	16,059
Receivable on dilution of investment in a subsidiary [Note 7(b)]	14,640	14,640
Advances to suppliers	11,682	10,430
Prepayments	3,249	2,855
Other receivables	6,840	7,014
	55,104	50,998

(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 267 thousand against the receivable as at 30 June 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 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 June 2020, the Group has received AED 4,026 thousand out of the total sales consideration of AED 18,666 thousand and the residual balance of AED 14,640 thousand is outstanding.

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

8. Trade and other payables

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Trade payables [Note 8(a)]	26,456	29,248
Dividend payable	10,565	10,566
Advance from customers	3,954	10,766
Consideration payable on acquisition of a business	20,000	20,000
Interest payable on borrowings	7,482	6,000
Interest payable on Islamic non-convertible sukuk	1,495	-
Tax accrual	10,411	10,563
Drydocking related accruals	2,100	2,100
Provision and other payables	24,591	27,350
	107,054	116,593

(a) 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 six months period ended 30 June 2020 (continued)**

9. Lease liabilities

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current		
Within one year	<u>1,299</u>	<u>6,976</u>
Non-current		
Non-current portion	<u>384</u>	<u>53,243</u>

- (a) On 28 November 2017, the Group entered into a finance lease agreement to support the acquisition of vessels from GST. The liability was payable on a monthly basis at the rate of AED 28,548 per day for the period of 5 years and a final repayment of AED 44,718 thousand on 29 November 2022. During the six month-period ended 30 June 2020, the Group disposed of the Gulf Mirdif vessel [Note 5(c)] and utilise its proceeds to settle the finance lease liability. As of 30 June 2020, balance of AED 915 thousand is still outstanding which will be offset against the dry docking reserve held with the bank of same amount.
- (b) As of 30 June 2020, the lease liabilities pertaining to right-of-use assets amounted to AED 768 thousand (2019: AED 3,123 thousand).

10. Borrowings

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Current		
Term loan	323,113	109,675
Short term loan	831	7,880
	<u>323,944</u>	<u>117,555</u>
Non-current		
Term loan	<u>60,845</u>	<u>277,848</u>

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

10. Borrowings (continued)

The movement of borrowings is summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Term-loan V AED'000	Total AED'000
Balance at 1 January 2020	-	57,639	27,411	57,504	244,969	387,523
Add: amortisation of arrangement fee	-	76	-	63	635	774
Add: adjustment on arrangement fee	-	-	-	43	-	43
Less: repaid during the period	-	-	-	(2,000)	(2,382)	(4,382)
Balance at 30 June 2020 (Unaudited)	-	57,715	27,411	55,610	243,222	383,958
Less: current portion	-	(16,878)	(7,403)	(55,610)	(243,222)	(323,113)
Non-current portion	-	40,837	20,008	-	-	60,845
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 period	(253,681)	(4,223)	(348)	(2,000)	(12,774)	(273,026)
Balance at 31 December 2019 (audited)	-	57,639	27,411	57,504	244,969	387,523
Less: current portion	-	(12,628)	(5,157)	(57,504)	(34,386)	(109,675)
Non-current portion	-	45,011	22,254	-	210,583	277,848

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

10. Borrowings (continued)

(a) Term loan I

The term-loan of AED 676,331 thousand was availed by the Group to acquire chemical tankers costing AED 795,684 thousand. This loan carries interest at LIBOR plus margin and is payable in 39 quarterly instalments commencing from 1 August 2008. Final repayment of AED 253,681 thousand was made during the year ended 31 December 2019 through a restructuring agreement. The restructured loan has been presented as term loan V.

(b) Term loan II

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at EIBOR plus margin and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. During the six-month period ended 30 June 2020, the Group has not repaid the due instalments. The Group's management are in discussions with the lender to regularise the loan and the discussions are expected to be finalised before the year-end.

(c) Term loan III

Term loan of AED 30,000 thousand was availed by the Group to support acquisition and conversion of an oil stimulation vessel. This loan carries interest at EIBOR plus margin and is payable in 27 equal quarterly instalments commencing from 7 December 2018 with final payment on 7 June 2025. During the six-month period ended 30 June 2020, the Group has not repaid the due instalments. The Group's management are in discussions with the lender to regularise the loan and the discussions are expected to be finalised before the year-end.

(d) Term loan IV

Term loan of AED 59,377 thousand (net of arrangement fees) was availed to the support acquisition of livestock vessels. This loan carries interest at EIBOR plus margin and is payable in 16 quarterly instalments commencing from 29 May 2019 with final payment 29 November 2023. On 18 March 2020, the bank agreed to revise the facility letter and defer the instalments. As per the revised facility letter, the repayments shall begin from 27 May 2020 with final payment on 27 Nov 2023.

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

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

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

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

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

10. Borrowings (continued)

(e) Term loan V

On 17 July 2019, the Group refinanced Term loan I the arrangement by way of sale and lease back agreement with another financial institution. 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 3,529 thousand.

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

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

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

As of the date of these interim financial information, the Group is not in compliance with the above-mentioned covenant. Thus the loan has been classified as current liability however, subsequent to the date of this interim financial information, the Group has entered into an addendum with the lender thereby agreeing that the above-mentioned covenants will not be applicable for a period commencing from 1 April 2020 to 30 September 2020. Further, as per the addendum, the covenants have been revised as follows:

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

(f) Short term loan

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

11. Related party transactions and balances

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

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

11. Related party transactions and balances (continued)

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

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance cost	<u>1,406</u>	<u>522</u>	<u>652</u>	<u>522</u>

- (c) The outstanding balances from related parties are given below:

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

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

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
(d) <i>Loan from related parties</i>		
Major shareholders (disclosed as non-current liability)	<u>-</u>	<u>37,443</u>
Major shareholders (disclosed as current liability)	<u>6,830</u>	<u>-</u>

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

Key management remuneration

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, benefits and directors' fees	<u>919</u>	<u>2,173</u>	<u>459</u>	<u>667</u>

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

12. Operating revenue

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Vessel owning and chartering	64,729	81,362	32,750	39,154
Shipping services	2,773	4,063	1,308	1,433
Marine product sales and distribution	34	63	17	25
Technical services	53	143	-	79
Ship management	-	92	-	-
	<u>67,589</u>	<u>85,723</u>	<u>34,075</u>	<u>40,691</u>

13. Operating costs

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Vessel owning and chartering:</i>				
Ship running- vessels	37,979	47,185	18,037	24,351
Vessel depreciation	17,345	26,256	6,751	13,248
Amortisation of dry docking costs	6,505	5,874	2,963	3,153
Ship running- crew boats	1,966	2,448	871	1,231
Ship repairs	3,255	249	3,179	206
Shipping services	1,783	2,828	825	860
Marine product sales and distribution	13	27	10	10
Technical services	15	64	1	35
	<u>68,861</u>	<u>84,931</u>	<u>32,637</u>	<u>43,094</u>

14. General and administrative expenses

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (Note 15)	5,300	8,298	2,564	3,700
Professional fees	1,121	2,691	918	1,271
Foreign exchange loss	124	150	33	143
Commission on disposal of a vessel	1,872	-	1,872	-
Other administrative expenses	1,742	3,502	921	1,768
	<u>10,159</u>	<u>14,641</u>	<u>6,308</u>	<u>6,882</u>

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

15. Staff costs

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and wages	4,453	7,368	2,098	3,337
Employees' end of service benefits	115	295	84	213
Other benefits	732	635	382	150
	<u>5,300</u>	<u>8,298</u>	<u>2,564</u>	<u>3,700</u>

16. Finance costs

	Six month period ended 30 June		Three month period ended 30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance costs on				
- Term loans	19,933	11,748	9,659	5,930
- Murabaha financing facility	298	431	111	224
- Loan from shareholders	1,144	276	390	273
- Islamic non-convertible sukuk	1,785	-	1,785	-
- Other loans	-	244	-	244
Other charges	101	438	37	372
	<u>23,261</u>	<u>13,137</u>	<u>11,982</u>	<u>7,043</u>

17. Share capital

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

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

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

18. Earnings per share

	Six month period ended 30 June		Three month period ended 30 June	
	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2019 AED'000 (Unaudited)
Loss for the period attributable to owners of the Company	<u>(51,139)</u>	<u>(27,722)</u>	<u>(33,213)</u>	<u>(16,704)</u>
Number of shares	1,019,209,250	1,019,209,250	1,019,209,250	1,019,209,250
Basic and diluted earnings per share	<u>(AED 0.0502)</u>	<u>(AED 0.0281)</u>	<u>(AED 0.0326)</u>	<u>(AED 0.0169)</u>

19. Islamic non-convertible sukuk

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

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

During the period ended 30 June 2020, Islamic non-convertible sukuk amounting to USD 35,000 thousand equivalent to AED 128,100 thousand has been subscribed and cash has been received except for AED 37,181 thousand which is expected be received by November 2020. Cost of issuance of Islamic non-convertible sukuk amounting to AED 12,542 thousand has been set off from the principal amount.

20. Contingent assets

One of the major shareholder of the Company has provided an irrecoverable and unconditional undertaking and guarantee securing the performance of seller of livestock vessels as determined in the sale framework agreement of the vessel. As per the sale framework agreement, the seller provided a guarantee that in the event the value of the vessels (as determined by an independent third party valuer within a period of years following the date of transfer of ownership of vessels to the buyer) is lower than the purchase prices/values of the vessels set out in the sales contract, then seller will pay the difference in such values of the 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 the 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.

As of the reporting date, the Group is in the process of assessing the amount of such guarantee to be recognised at the expiry of two years i.e. in October 2020.

**Notes to the interim financial information
for the six months period ended 30 June 2020 (continued)**

21. Operating leases as lessor

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

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Not later than one year	108,208	108,504
Between one year and five years	242,698	296,357
	<u>350,906</u>	<u>404,861</u>

22. Non-cash transaction

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

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

23. Subsequent event

On 11 August 2020, five Directors and Chief Financial Officer of the Group have submitted their resignation which has been accepted by the Board of Directors.

24. Approval of the interim financial information

The interim financial information for the period ended 30 June 2020 was approved by Board of Directors and authorised for issue on 11 August 2020.