

# **Gulf Navigation Holding PJSC**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2021**

# **Gulf Navigation Holding PJSC**

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

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Navigation Holding PJSC (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2021, comprising of the interim condensed consolidated statement of financial position as at 30 September 2021, and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

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

### ***Basis for Qualified Conclusion***

As disclosed in Note 16 and Note 10(d) to the financial statements, the Group has derecognised liabilities of AED 20,385 thousand upon restructuring of term loans II and III during the nine-month period ended 30 September 2021 since management believes that there will be no defaults on the future commitments towards repayment of the restructured loan. The settlement agreement with the lender stipulates that in case of any default in repayment of the revised future instalments, the lender has the right to claim all the outstanding liability plus all contractual interest and charges as per the original terms and conditions of the term loans. As such, the waiver of such an amount does not meet the criteria for derecognition of financial liabilities in accordance with the provisions of *IFRS 9 – Financial Instruments*. Consequently, if the Group had complied with the requirements of IFRS 9, the profit reported for the nine-month period ended 30 September 2021 would have been lower by AED 20,385 thousand.

### ***Qualified Conclusion***

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021, and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34.

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

***Material Uncertainty Related to Going Concern***

We draw attention to Note 2 to the interim condensed consolidated financial statements, concerning the Group's ability to continue as a going concern. The Group, excluding the income from insurance claim of AED 85,759 thousand and liabilities no longer written back of AED 26,874 thousand, incurred a loss of AED 27,226 thousand during the nine-month period ended 30 September 2021 (nine-month period ended 30 September 2020: AED 263,518 thousand) and, as of that date, the Group's current liabilities exceeded its current assets by AED 122,866 thousand (31 December 2020: AED 338,749 thousand).

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

Our conclusion is not modified in respect of this matter.

***Other Matter***

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 31 March 2021, before the effects of adjustments described in Note 22 to these financial statements.

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2020 were reviewed by another auditor who expressed an adverse conclusion on those condensed consolidated financial statements on 12 November 2020 in relation to the recognition of a receivable of AED 197.5 million towards an insurance claim which was not virtually certain to be recoverable, before the effects of adjustments described in Note 22 to these financial statements.

For Ernst & Young



Signed by:  
Ashraf Abu-Sharkh  
Partner  
Registration No.: 690

14 November 2021

Dubai, United Arab Emirates


## Gulf Navigation Holding PJSC

### Interim condensed consolidated statement of financial position as at 30 September 2021

	Notes	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited) (Restated*)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Vessels, property and equipment	5	636,373	648,221
Rights-of-use assets		288	575
Goodwill	6	143,463	143,463
<b>Total non-current assets</b>		<b>780,124</b>	<b>792,259</b>
<b>Current assets</b>			
Inventories		6,614	6,443
Trade and other receivables	7	30,422	41,896
Cash and bank balances		27,266	21,891
<b>Total current assets</b>		<b>64,302</b>	<b>70,230</b>
<b>Total assets</b>		<b>844,426</b>	<b>862,489</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	1,019,209	1,019,209
Statutory reserve		19,747	19,747
Accumulated losses		(642,935)	(729,659)
Other reserves		(2,724)	(2,724)
<b>Equity attributable to owners of the Company</b>		<b>393,297</b>	<b>306,573</b>
Non-controlling interests		10,059	11,376
<b>Total equity</b>		<b>403,356</b>	<b>317,949</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits		1,152	1,348
Lease liabilities	9	-	128
Borrowings	10	171,825	54,539
Islamic non-convertible sukuk	20	80,925	79,546
<b>Total non-current liabilities</b>		<b>253,902</b>	<b>135,561</b>
<b>Current liabilities</b>			
Trade and other payables	8	115,152	120,239
Lease liabilities	9	288	486
Borrowings	10	60,890	271,272
Loan from related parties	11	10,838	16,838
Due to a related party	11	-	144
<b>Total current liabilities</b>		<b>187,168</b>	<b>408,979</b>
<b>Total liabilities</b>		<b>441,070</b>	<b>544,540</b>
<b>Total equity and liabilities</b>		<b>844,426</b>	<b>862,489</b>

\* Refer Note 22 for details regarding prior year adjustments.

The interim condensed consolidated financial statements were approved by the Board of Directors on 14 November 2021 and signed on its behalf by:

  
Dr. Abdul Rahman Al Afeefi  
Director

  
Ahmad "M.F." A. Al Kilani  
Director

  
Ali Abouda  
Chief Financial Officer

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

## Gulf Navigation Holding PJSC

### Interim condensed consolidated statement of comprehensive income for the nine-month period ended 30 September 2021

	Notes	Nine-month period ended 30 September		Three-month period ended 30 September	
		2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated*)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated*)
Operating revenue	12	89,279	108,203	27,078	40,614
Operating costs	13	(72,788)	(102,284)	(25,909)	(33,423)
<b>Gross profit</b>		<b>16,491</b>	5,919	<b>1,169</b>	7,191
Other income		1,115	2,433	95	141
Income from insurance claim	14	85,759	197,541	-	197,541
General and administration expenses	15	(14,785)	(14,416)	(6,509)	(4,257)
Liabilities no longer required written back	16	26,874	-	20,385	-
Income on discounting of a financial liability to its present value	10(d)	3,265	-	3,265	-
Write-off of a vessel	5	-	(197,541)	-	(197,541)
Loss on disposal of asset		-	(9,610)	-	-
Provision for impairment of vessels	5	-	(12,649)	-	(3,908)
<b>Operating profit/ (loss) for the period</b>		<b>118,719</b>	(28,323)	<b>18,405</b>	(833)
Finance costs	17	(31,939)	(36,281)	(12,134)	(13,020)
<b>Profit /(loss) before income tax</b>		<b>86,780</b>	(64,604)	<b>6,271</b>	(13,853)
Income tax		(1,373)	(1,373)	(458)	(458)
<b>Profit /(loss) for the period</b>		<b>85,407</b>	(65,977)	<b>5,813</b>	(14,311)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/ (loss) for the period</b>		<b>85,407</b>	(65,977)	<b>5,813</b>	(14,311)
Attributable to:					
Owners of the Company		86,724	(65,394)	6,618	(14,255)
Non-controlling interests		(1,317)	(583)	(805)	(56)
		<b>85,407</b>	(65,977)	<b>5,813</b>	(14,311)
<b>Earnings per share attributable to owners of the Company</b>					
Basic and diluted (AED)	19	<b>0.085</b>	(0.064)	<b>0.006</b>	(0.014)

\* Refer Note 22 for details regarding prior year adjustments.

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

## Gulf Navigation Holding PJSC

### Interim condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2021

	Attributable to Owners of the Company					Non- controlling interests AED'000	Total AED'000
	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000		
Balance at 1 January 2020 (audited)	1,019,209	19,747	(445,195)	(2,724)	591,037	11,519	602,556
Total comprehensive loss for the period (unaudited)(restated*)	-	-	(65,394)	-	(65,394)	(583)	(65,977)
Balance at 30 September 2020 (unaudited)	<u>1,019,209</u>	<u>19,747</u>	<u>(510,589)</u>	<u>(2,724)</u>	<u>525,643</u>	<u>10,936</u>	<u>536,579</u>
Balance at 1 January 2021 (audited)	1,019,209	19,747	(724,124)	(2,724)	312,108	11,376	323,484
Prior period adjustments (Note 22)	-	-	(5,535)	-	(5,535)	-	(5,535)
Balance at 1 January 2021 (restated*)	<u>1,019,209</u>	<u>19,747</u>	<u>(729,659)</u>	<u>(2,724)</u>	<u>306,573</u>	<u>11,376</u>	<u>317,949</u>
Total comprehensive income/(loss) for the period (unaudited)	-	-	86,724	-	86,724	(1,317)	85,407
<b>Balance at 30 September 2021 (unaudited)</b>	<b><u>1,019,209</u></b>	<b><u>19,747</u></b>	<b><u>(642,935)</u></b>	<b><u>(2,724)</u></b>	<b><u>393,297</u></b>	<b><u>10,059</u></b>	<b><u>403,356</u></b>

\* Refer Note 22 for details regarding prior year adjustments.

## Gulf Navigation Holding PJSC

### Interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2021

	<b>Nine-month period ended</b>	
	<b>30 September 2021 AED'000 (Unaudited)</b>	<b>30 September 2020 AED'000 (Unaudited)</b>
<b>Cash flows from operating activities</b>		
Loss for the period	85,407	(65,977)
<i>Adjustments for:</i>		
Depreciation of vessels, property and equipment	29,249	36,789
Amortisation of right-of-use assets	287	634
Impairment of right-of-use assets	-	230
Provision for impairment of vessels	-	12,649
Provision for employees' end of service benefits	78	189
Loss on disposal of vessel	-	9,610
Income on discounting of a financial liability to its present value	(3,264)	-
Liabilities no longer required written back	(26,874)	-
Finance costs (note 17)	31,939	36,281
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>116,822</b>	<b>30,405</b>
(Increase)/decrease in inventories	(171)	1,987
Decrease in due to a related party	(144)	-
Decrease/(increase) in trade and other receivables	11,474	(7,353)
Increase/(decrease) in trade and other payables	826	(14,265)
<b>Cash generated from operations</b>	<b>128,807</b>	<b>10,774</b>
Employees' end of service indemnity paid	(274)	(398)
<b>Net cash generated from operating activities</b>	<b>128,533</b>	<b>10,376</b>
<b>Cash flows from investing activities</b>		
Purchase of vessels, property and equipment	(17,401)	(2,582)
Proceeds from disposal of vessels, property and equipment	-	5,459
<b>Net cash (used in)/ generated from investing activities</b>	<b>(17,401)</b>	<b>2,877</b>
<b>Cash flows from financing activities</b>		
Proceeds from Islamic non-convertible sukuk	-	90,919
Proceeds of borrowing	52,155	-
Arrangement fee paid	(3,301)	(12,499)
Payment of lease liabilities	(326)	(966)
Repayment of borrowings (note 10)	(134,659)	(56,018)
Repayment of loan obtained from a related party	(6,000)	(32,019)
Loan from related parties	-	10,008
Interest paid	(13,626)	(19,163)
Increase in restricted cash	(284)	(6,561)
<b>Net cash used in financing activities</b>	<b>(106,041)</b>	<b>(26,299)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the period</b>	<b>5,091</b>	<b>(13,046)</b>
Cash and cash equivalents at the beginning of the period	7,235	16,921
<b>Cash and cash equivalents at the end of the period</b>	<b>12,326</b>	<b>3,875</b>
Restricted cash	14,940	18,040
<b>Total cash and bank balances</b>	<b>27,266</b>	<b>21,915</b>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.



## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021

#### 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 39<sup>th</sup> 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 condensed consolidated financial statements:

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>30 September 2021</i>	<i>31 Dec 2020</i>
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC	Ship Charter, etc.	UAE	<b>100</b>	100
Gulf Navigation Group FZCO	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	<b>100</b>	100
GulfNav Ship Management FZE	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	<b>100</b>	100
Gulf Crude Carriers (L.L.C)	Ship Charter, etc.	UAE	<b>100</b>	100
Gulf Chemical Carriers (L.L.C)	Ship Charter, etc.	UAE	<b>100</b>	100
Gulf Navigation Polimar Maritime LLC	Sea Shipping Lines Agents	UAE	<b>60</b>	60
Gulf Navigation and Brokerage LLC	Ship Brokerage	Oman	<b>100</b>	100
Gulf Eyadah Corporation	Ship Owning	Panama	<b>100</b>	100
Gulf Huwaylat Corporation	Ship Owning	Panama	<b>100</b>	100
Gulf Deffi Corporation	Ship Owning	Panama	<b>100</b>	100
Gulf Jalmuda Corporation	Ship Owning	Panama	<b>100</b>	100
Gulf Fanatir Corporation	Ship Owning	Panama	<b>100</b>	100
Gulf Navigation Mishref Limited	Ship Owning	Cayman Islands	<b>100</b>	100
Gulf Navigation Mirdif Limited	Ship Owning	Cayman Islands	<b>100</b>	100
Gulf Navigation Sukuk Limited	Unlimited	Cayman Islands	<b>100</b>	100
Gulf Maritime Ship Management LLC	Ship Management and Operations	UAE	<b>100</b>	100
Gulf Ship Management Co LLC	Ship Management and Operations, etc	UAE	<b>100</b>	100
Gulf Navigation Mishref Limited	Ship Charter	Liberia	<b>100</b>	100
Gulf Navigation Mirdif Limited	Ship Charter	Liberia	<b>100</b>	100
Gulf Navigation Ship Owning LLC	Ship Charter, etc	UAE	<b>100</b>	100
Gulf Navigation Livestock Carriers Ltd., Inc.	Ship Owning	Panama	<b>100</b>	100
Gulf Navigation Livestock Carriers 1 Ltd., Inc.	Ship Owning	Panama	<b>100</b>	100
Gulf Navigation Livestock Carriers 2Ltd., Inc.	Ship Owning	Panama	<b>100</b>	100
Kabedah S.A.	Ship Owning	Panama	<b>100</b>	100
Durango Shipping Ltd. (annulled on 28 April 2021)	Ship Owning	Marshall Islands	<b>n/a</b>	100

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 1. Legal status and activities (continued)

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>30 Sept 2021</i>	<i>31 Dec 2020</i>
Gulf Crude Carriers Co. Ltd. <i>(registered on 14 July 2021)</i>	Ship Charter, etc.	Liberia	100	n/a

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 Branch	Ship Management and operations, etc.	UAE

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 2021</i>	<i>31 Dec 2020</i>
Gulf Stolt Tankers DMCCO (“GST”) <i>(deregistered on 09 May 2021)</i>	Ship Charter	UAE	n/a	50

#### 2. Basis of preparation and accounting policies

##### Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2021 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*” and the applicable requirements of the laws in the U.A.E. This interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with Group’s annual consolidated financial statements as at 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). For the new standards and amendments adopted during the current period, refer section “Changes in accounting policy and disclosures”.

## **Gulf Navigation Holding PJSC**

### **Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)**

#### **2. Basis of preparation and accounting policies (continued)**

##### **Basis of preparation (continued)**

Further, Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

The preparation of interim condensed consolidated financial statements on the basis described above requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which for the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

##### **Basis of consolidation**

The interim condensed consolidated financial statements at and for the nine-month period ended 30 September 2021, comprises results of the Company and its subsidiaries. The interim condensed consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

##### **Going concern**

As of 30 September 2021, the Group's current liabilities exceeded its current assets by AED 122,866 thousand (2020: AED 338,749 thousand) and the Group has accumulated losses amounting to AED 642,935 thousand (2020: AED 729,659 thousand). The Group has made profit of AED 85,407 thousand (2020: loss of AED 65,977 thousand) for the nine-month period.

As at 30 September 2021, the Group's accumulated losses continue to exceed 50% of its issued share capital. In accordance with Article 302 of the UAE Federal Law No (2) of 2015, the Company had called a General Assembly on 29 April 2021 to vote on either dissolving the Company or to continue its activity with an appropriate restructuring plan. A special resolution has been passed by the General Assembly to approve the continuity of operations for the Company in accordance with Article 302 of the UAE Federal Law No (2) of 2015.

During the previous quarter, the lender of term loan V amended the repayment and other terms and conditions of the term loan, which led to the Group being compliant with the revised covenants of the term loan V. During the current quarter, the Group was able to finalise negotiations with lenders for term loan II and III. Based on the settlement agreement, the lender has agreed to waive AED 20,385 thousand out of the total outstanding amount of AED 96,385 thousand [see Note 10(d)] subject to timely repayment of future instalments. The first instalment of the revised repayment schedule of AED 50,000 thousand has been paid by the lender of term loan V on the Group's behalf [see Note 10(d)].

## **Gulf Navigation Holding PJSC**

### **Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)**

#### **2. Basis of preparation and accounting policies (continued)**

##### **Going concern (continued)**

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

The cash flow forecast is based on following key assumptions:

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

Whilst the shareholders have resolved to continue the operations of the Group in the General Meeting held on 29 April 2021 as required by Article 302 of the Federal Law No (2) of 2015, the timing and realisation of the above matters are not within management's control.

Following the Board of Directors Decision No. (32/R. T) of 2019 to restructure and convert the major debts of the Group into equity by way of issuing a mandatorily convertible Sukuk, the Group has obtained the necessary approval from the Securities & Commodities Authority ("SCA"), its regulatory body, to proceed with the plan. Further, the Group has also obtained the approval to the appointment of the evaluator and the evaluation has commenced already.

##### **Changes in accounting policy and disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements is consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021 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.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

##### *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

## **Gulf Navigation Holding PJSC**

### **Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)**

#### **2. Basis of preparation and accounting policies (continued)**

##### **Changes in accounting policy and disclosures (continued)**

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

##### **Standards, amendments and interpretations issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below, if they are expected to have an impact on the Group's interim condensed consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.

These amendments do not have any impact on the interim condensed consolidated financial statements of the Group.

##### **Functional and presentation currency**

Items included in the interim condensed consolidated financial statements of each of the Group's subsidiaries and joint ventures (together, "entities") are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). Since most of the transactions of the entities are denominated in US Dollar ("USD") or currencies pegged to the USD, the functional currency of the entities is USD. However, the interim condensed consolidated financial statements of the Group 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 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 2020.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 3. Critical accounting estimates and judgements

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 consolidated financial statements for the year ended 31 December 2020 except as given below.

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

As a result of the above and the resulting disruptions to the social and economic activities, the Group continues to assess regularly the impact of COVID-19 on its business, in particular the reduction of sales and the important erosion of certain of its revenue lines (vessel chartering, ship management etc.). The evolution of the COVID-19 is changing rapidly on a daily basis. The unprecedented nature of the crisis, the lack of enough historical data, the low visibility and the high uncertainty related to its evolution, its duration and its impact on the economy in general and the business in particular, make the quantification of its adverse negative impact on the business difficult to assess accurately at this stage. The management considered several foreseeable areas of operational risk and implemented various measures to ensure the continuity of the operations, the availability of the network and the ability of the organisation to cope with the lock-down situation.

#### 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.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 4. Operating segments (continued)

For the nine-month period ended 30 September 2021 (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	84,737	757	20	4,522	-	(757)	89,279
Operating costs	(70,961)	-	(4)	(2,580)	-	757	(72,788)
Other income	957	-	25	-	709	(576)	1,115
Income from insurance claim	85,759	-	-	-	-	-	85,759
General and administrative expenses	(296)	(1,494)	(55)	(6,590)	(6,926)	576	(14,785)
Liabilities no longer required written back	20,385	-	-	-	6,489	-	26,874
Income on discounting of a financial liability to its present value	3,265	-	-	-	-	-	3,265
Finance costs	(24,050)	-	-	-	(7,889)	-	(31,939)
Income tax	-	-	-	-	(1,373)	-	(1,373)
<b>Reportable segment profit /(loss)</b>	<b>99,796</b>	<b>(737)</b>	<b>(14)</b>	<b>(4,648)</b>	<b>(8,990)</b>	<b>-</b>	<b>85,407</b>
<i>At 30 September 2021 (unaudited)</i>							
<b>Reportable segment assets</b>	<b>909,934</b>	<b>23,112</b>	<b>3,234</b>	<b>13,310</b>	<b>1,556,811</b>	<b>(1,661,975)</b>	<b>844,426</b>
<b>Reportable segment liabilities</b>	<b>(787,074)</b>	<b>(27,026)</b>	<b>(3,956)</b>	<b>(8,325)</b>	<b>(822,779)</b>	<b>1,208,090</b>	<b>(441,070)</b>

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 4. Operating segments (continued)

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

	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	104,211	2,618	56	3,936	-	(2,618)	108,203
Operating costs	(102,402)	-	(25)	(2,475)	-	2,618	(102,284)
Other income	955	-	123	5	2,127	(777)	2,433
Income from insurance claim	197,541	-	-	-	-	-	197,541
General and administrative expenses	(2,878)	(2,718)	(133)	(2,867)	(6,597)	777	(14,416)
Loss on disposal of asset	(9,610)	-	-	-	-	-	(9,610)
Write-off of a vessel	(197,541)	-	-	-	-	-	(197,541)
Provision for impairment of vessels	(12,649)	-	-	-	-	-	(12,649)
Finance costs	(29,617)	-	-	-	(6,664)	-	(36,281)
Income tax	-	-	-	-	(1,373)	-	(1,373)
Reportable segment loss	<u>(51,990)</u>	<u>(100)</u>	<u>21</u>	<u>(1,401)</u>	<u>(12,507)</u>	<u>-</u>	<u>(65,977)</u>
<i>At 31 December 2020 (restated)</i>							
Reportable segment assets	<u>853,853</u>	<u>22,942</u>	<u>3,175</u>	<u>19,471</u>	<u>1,536,456</u>	<u>(1,573,408)</u>	<u>862,489</u>
Reportable segment liabilities	<u>(874,390)</u>	<u>(26,118)</u>	<u>(3,906)</u>	<u>(11,439)</u>	<u>(731,116)</u>	<u>1,102,429</u>	<u>(544,540)</u>



## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 4. Operating segments (continued)

For the three-month period ended 30 September 2021 (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	25,566	236	-	1,512	-	(236)	27,078
Operating costs	(25,175)	-	-	(970)	-	236	(25,909)
Other income	95	-	-	-	192	(192)	95
General and administrative expenses	(114)	(384)	(4)	(2,709)	(3,490)	192	(6,509)
Liabilities no longer required written back	20,385	-	-	-	-	-	20,385
Income on discounting of a financial liability to its present value	3,265	-	-	-	-	-	3,265
Finance costs	(10,601)	-	-	-	(1,533)	-	(12,134)
Income tax	-	-	-	-	(458)	-	(458)
<b>Reportable segment profit/ (loss)</b>	<b>13,421</b>	<b>(148)</b>	<b>(4)</b>	<b>(2,167)</b>	<b>(5,289)</b>	<b>-</b>	<b>5,813</b>

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 4. Operating segments (continued)

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

	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	39,482	635	21	1,111	-	(635)	40,614
Operating costs	(33,370)	-	(12)	(676)	-	635	(33,423)
Other income	108	-	31	-	261	(259)	141
Income from insurance claim	197,541	-	-	-	-	-	197,541
General and administrative expenses	(105)	(771)	(35)	(833)	(2,772)	259	(4,257)
Write-off of a vessel	(197,541)	-	-	-	-	-	(197,541)
Provision for impairment of vessels	(3,908)	-	-	-	-	-	(3,908)
Finance costs	(9,582)	-	-	-	(3,438)	-	(13,020)
Income tax	-	-	-	-	(458)	-	(458)
Reportable segment profit/ (loss)	<u>(7,375)</u>	<u>(136)</u>	<u>5</u>	<u>(398)</u>	<u>(6,407)</u>	<u>-</u>	<u>(14,311)</u>

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 5. Vessels, property and equipment

- (a) During the period, the Group spent AED 17,401 thousand on vessels, property and equipment (30 September 2020: AED 2,582 thousand). Depreciation recorded for the period amounted to AED 29,249 thousand (30 September 2020: AED 36,789 thousand).
- (b) Vessels with a net carrying value of AED 578,347 thousand (31 December 2020: AED 609,776 thousand) are mortgaged as security for bank borrowings [Note 10(a) to Note 10(f)].
- (c) Management had performed a detailed impairment assessment as at 31 December 2020. Based on its assessment, the Group had recorded an impairment on vessels amounting to AED 12,649 thousand during the year ended 31 December 2020. 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.

As at 31 December 2020, with all other variables held constant:

- if the discount rate used was 1.5% higher, impairment would have increased by AED 167 thousand; and
- if the cash flows were reduced by 20%, impairment would have increased by AED 3,386 thousand.

#### 6. Goodwill

	<b>30 September 2021 AED'000 (Unaudited)</b>	31 December 2020 AED'000 (Audited)
Cost	<b>219,912</b>	219,912
Less: Accumulated impairment loss	<b>(76,449)</b>	(76,449)
	<b><u>143,463</u></b>	<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.

#### *Sensitivity analysis*

Management had performed a detailed impairment assessment as at 31 December 2020. Based on its assessment, no impairment loss was recognised in the Group's consolidated financial statements for the year ended 31 December 2020. As at 31 December 2020, with all other variables held constant:

- if the discount rate used was 2.5% higher, impairment would have increased by AED 5,163 thousand; and
- if the cash flows were reduced by 20%, impairment would have increased by AED 34,160 thousand.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 7. Trade and other receivables

	<b>30 September 2021 AED'000 (Unaudited)</b>	31 December 2020 AED'000 (Audited)
Trade receivables	<b>13,916</b>	20,634
Less: Allowance for expected credit losses ("ECL")	<b>(5,962)</b>	(3,338)
	<b>7,954</b>	17,296
Receivable on dilution of investment in a subsidiary [Note 7(a)]	<b>14,640</b>	14,640
Advances to suppliers	<b>587</b>	233
Prepayments	<b>1,647</b>	2,042
Other receivables	<b>5,594</b>	7,685
	<b>30,422</b>	41,896

- (a) 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 2021, 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

	<b>30 September 2021 AED'000 (Unaudited)</b>	31 December 2020 AED'000 (Audited) (Restated)
Trade payables	<b>24,570</b>	27,601
Dividend payable	<b>10,548</b>	10,554
Advance from customers	<b>11,446</b>	12,332
Consideration payable on acquisition of a business [Note 8(a)]	<b>20,000</b>	20,000
Interest payable on borrowings	<b>15,181</b>	14,587
Tax accrual [Note 16(a)]	<b>2,054</b>	7,667
Dry-docking related accruals	<b>1,171</b>	1,171
Provisions and other payables	<b>30,182</b>	26,327
	<b>115,152</b>	120,239

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 8. Trade and other payables (continued)

- (a) During 2018, the Group obtained control of Gulf Navigation Livestock Carrier Ltd. Inc, a wholly owned subsidiary of Aksab Investments LLC, which is registered in the Republic of Panama, for a purchase consideration of AED 420,000 thousand. Out of AED 420,000 thousand, an amount of AED 20,000 thousand was payable on 30 September 2021 and 31 December 2020. Management is currently negotiating for conversion of this amount into equity of the Group.

#### 9. Lease liabilities

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Amounts payable under leases:		
Within one year	288	486
Between two to five years	-	128
	<u>288</u>	<u>614</u>
Less: Finance charges applicable to future years	-	-
	<u>288</u>	<u>614</u>
Present value of lease obligations	<u>288</u>	<u>614</u>
Within one year	288	486
Between 2-5 years	-	128
	<u>288</u>	<u>614</u>
Less: Current portion	(288)	(486)
	<u>-</u>	<u>128</u>
Non-current portion	<u>-</u>	<u>128</u>

As of 30 September 2021, the lease liabilities pertaining to right-of-use assets amounted to AED 288 thousand (31 December 2020: AED 614 thousand).

#### 10. Borrowings

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
<b>Current</b>		
Term loan	60,059	270,441
Short term loan	831	831
	<u>60,890</u>	<u>271,272</u>
<b>Non-current</b>		
Term loan	<u>171,825</u>	<u>54,539</u>

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (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	Term-loan VI AED'000	Total AED'000
Balance at 1 January 2021	-	57,789	27,411	45,994	193,786	-	324,980
Less: arrangement fee paid	-	-	-	-	(1,350)	(1,951)	(3,301)
Add: amortisation of arrangement fee	-	238	-	326	4,788	25	5,377
Add: availed during the year	-	-	-	-	-	52,155	52,155
Less: repaid during the period	-	(34,035)	(15,965)	(46,320)	(37,954)	(385)	(134,659)
Less: write-off	-	(6,295)	(3,144)	-	-	-	(9,439)
Less: discounting of a financial liability to its present value	-	(2,222)	(1,042)	-	-	-	(3,264)
Add: amortisation of discounted value	-	24	11	-	-	-	35
<b>Balance at 30 September 2021 (Unaudited)</b>	<b>-</b>	<b>15,499</b>	<b>7,271</b>	<b>-</b>	<b>159,270</b>	<b>49,844</b>	<b>231,884</b>
Less: current portion	-	(4,653)	(2,183)	-	(41,961)	(11,262)	(60,059)
<b>Non-current portion</b>	<b>-</b>	<b>10,846</b>	<b>5,088</b>	<b>-</b>	<b>117,309</b>	<b>38,582</b>	<b>171,825</b>
Balance at 1 January 2020	-	57,639	27,411	57,504	244,969	-	387,523
Add: amortisation of arrangement fee	-	150	-	127	1,270	-	1,547
Add: availed during the year	-	-	-	43	-	-	43
Less: repaid during the period	-	-	-	(11,680)	(52,453)	-	(64,133)
Balance at 31 December 2020 (audited)	-	57,789	27,411	45,994	193,786	-	324,980
Less: current portion	-	(21,127)	(9,534)	(45,994)	(193,786)	-	(270,441)
Non-current portion	-	36,662	17,877	-	-	-	54,539

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (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. The restructured loan has been presented as term loan V.

##### (b) Term loan II

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at EIBOR plus margin and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. During the nine-month period ended 30 September 2021, the Group successfully refinanced this loan along with Term Loan III. The restructured loan has been presented as term loan VI.

##### (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 September 2025. During the nine-month period ended 30 September 2021, the Group successfully refinanced this loan along with Term Loan II. The restructured loan has been presented as term loan VI.

##### (d) Restructuring of Term loan II and III

The Group entered into a debt restructuring agreement with the lender dated 17 June 2021 and subsequently amended on 10 August 2021. Based on such agreement, the outstanding amount payable to the bank as at 31 August 2021 was AED 96,385 thousand, which includes AED 85,439 thousand towards principal and AED 10,946 thousand towards accrued interest. The terms of settlement are as under:

- The Group is now required to pay a total value of AED 75,000 thousand (subsequently amended to AED 76,000 thousand) against the existing outstanding amount of AED 96,385 thousand for settlement of Term loans II and III.
- Repayment schedule of AED 76,000 thousand is as follows:
  - AED 55,000 thousand payable on 15 July 2021 (subsequently amended to AED 50,000 thousand payable on 25 August 2021);
  - AED 7,500 thousand each payable on 1 June 2022 and 1 June 2023 respectively (subsequently amended to AED 8,500 thousand); and
  - AED 5,000 thousand payable on 1 June 2024 (subsequently amended to AED 9,000 thousand).
- Mortgage and assignment of earnings on vessels Gulf Mishref and Allianz Warrior towards these loans is to be released.
- In case of any default in the future, the bank has a right to claim all the outstanding liability plus all contractual interest and charges as per the original terms and conditions of Term Loans II and III.

Accordingly, management has derecognised the liability of AED 20,385 thousand (AED 9,439 thousand towards principal and AED 10,946 towards accrued interest) in “Liabilities no longer required written back” (Note 16) based on an assumption that there will not be any default in the future repayments of the restructured loan. As such, the Group is eligible to derecognise the liability.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 10. Borrowings (continued)

##### (d) Restructuring of Term loan II and III (continued)

The first instalment of AED 50,000 thousand has been paid in September 2021 by the lender of Term Loan V on behalf of the Group [Note 10(g)].

The settlement agreement is silent on the applicability of interest on the remaining loan of AED 26,000 thousand. Based on discussions with the lenders, management believes that the loan is interest-free. Accordingly, management has discounted this loan using the effective interest rate of 8% leading to recognition of finance income of AED 3,265 thousand.

All other terms and conditions of Term loans II and III remain unchanged.

##### (e) Term loan IV

Term loan of AED 59,377 thousand (net of arrangement fees) was availed to the support acquisition of livestock vessels. This loan carries interest at EIBOR plus margin and is payable in 16 quarterly instalments commencing from 29 May 2019 with a final payment 29 November 2023. On 18 March 2020, the bank agreed to revise the facility letter and defer the instalments. As per the revised facility letter, the repayments shall begin from 27 May 2020 with final payment on 27 November 2023. As of the date of reporting, the Group repaid the loan in entirety from the proceeds of insurance claim received on one of the livestock vessels (Note 14).

##### (f) Term loan V

On 19 July 2019, the Group entered into a refinancing arrangement “the Agreement” to refinance Term Loan I. The liability is payable on a monthly basis at the rate of AED 43,920 per day for the first 12 months and AED 139,446 per day for the period of 4 years and a final repayment of AED 128,638 thousand on 19 July 2024 and it carries effective interest rate at 9.42% per annum. During the year ended 31 December 2020, the Group repaid an amount of AED 41,831 thousand.

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

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

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

In addition to above, following covenants are also applicable:

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

On 27 April 2021, the Group entered into an amendment with the bank with revised terms of repayment (“the Amendment”). The liability is payable on a monthly basis at the rate of AED 128,466 per day for a period of two years starting from 1 May 2021 with a final repayment of AED 109,434 thousand on 30 April 2023.



## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 10. Borrowings (continued)

##### (f) Term loan V (continued)

In addition to above, following covenants are also amended as follows:

- consolidated maximum leverage ratio of 75% on year 1 and 65% on year 2 (at vessel owning company level);
- consolidated minimum liquidity of USD 1 million (at vessel owning company level);
- the unrestricted cash shall be no less than the lower of USD 2 million, and 5% of net debt (at group level); and
- the leverage ratio shall be less than 80% (at group level).

The above borrowings are secured by the mortgage of four chemical tankers with a net book value of AED 463,037 thousand.

Since the Group was not in compliance with the covenants prior to the Amendment, the term loan V was previously classified as a current liability. However, as of the date of these interim condensed consolidated financial statements, the Group is in compliance with the above-mentioned covenants. Accordingly, the term loan V has been classified into current and non-current portion based on the terms of repayment as per the Amendment.

##### (g) Term loan VI

On 23 September 2021, the Group entered into a refinancing arrangement “the Agreement” to refinance Term Loan II and III. The liability is payable on a monthly basis at the rate of AED 42,822 per day for the first 12 months and AED 21,374 per day for thereafter until 30 April 2023 with a final repayment of AED 37,112 thousand on 30 April 2023. During the period ended 30 September 2021, the Group repaid an amount of AED 385 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 are below:

- Consolidated Minimum Liquidity of USD 200,000
- Maximum Leverage Ratio of 70% on year 1 and 60% on year 2

The above borrowings are secured by the mortgage of vessels one chemical tanker and one well stimulation vessel with a net book value of AED 115,310 thousand.

##### (h) 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 year ended 31 December 2020, the Group repaid the principal outstanding of AED 7,346 thousand. The remaining amount of AED 831 thousand represents interest payable on this facility.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 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.

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

	Nine-month period ended 30 September 2021		Three-month period ended 30 September 2021	
	AED'000 (Unaudited)	2020 AED'000 (Unaudited)	AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Finance cost	<u>100</u>	<u>1,144</u>	<u>-</u>	<u>-</u>

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

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
<i>Due to a related party</i>		
<i>Joint venture</i>		
Gulf Stolt Tankers DMCCO, U.A.E.	<u>-</u>	<u>144</u>

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

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
<i>Loan from related parties</i>		
Major shareholders (disclosed as current liability)	<u>10,838</u>	<u>16,838</u>

The loan obtained from the major shareholders was utilised to finance dry docking of chemical tankers. During the year ended 31 December 2020, shareholder loan to the extent of AED 40,409 thousand has been settled from the proceeds received from Islamic non-convertible sukuk. The outstanding balance as of 30 September 2021 is interest free and the mode of settlement of these balances is currently being discussed with the related parties.

In August 2020, the Group obtained another short-term loan amounting to AED 10,000 thousand from a related party. The loan is interest free and is due to be repayable within twelve months. During the nine-month period ended 30 September 2021, the group repaid AED 6,000 thousand.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 11. Related party transactions and balances (continued)

##### *Key management remuneration*

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Salaries, benefits and directors' fees	<u>1,002</u>	<u>1,423</u>	<u>351</u>	<u>504</u>

#### 12. Operating revenue

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)
Vessel owning and chartering	84,737	104,211	25,566	39,482
Shipping services	4,522	3,884	1,512	1,111
Marine product sales and distribution	20	56	-	21
Technical services	-	52	-	-
	<u>89,279</u>	<u>108,203</u>	<u>27,078</u>	<u>40,614</u>

#### 13. Operating costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
<i>Vessel owning and chartering:</i>				
Ship running- vessels	36,885	56,163	12,976	18,184
Vessel depreciation	18,324	26,200	5,821	8,855
Amortisation of dry-docking costs	10,424	10,069	4,183	3,564
Ship running- crew boats	3,593	2,972	1,347	1,006
Ship repairs	978	4,379	612	1,124
Shipping services	2,579	2,460	970	677
Marine product sales and distribution	5	25	-	12
Technical services	-	16	-	1
	<u>72,788</u>	<u>102,284</u>	<u>25,909</u>	<u>33,423</u>

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 14. Income from insurance claim

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Income from insurance claim	<b>85,759</b>	197,541	-	197,541

On 2 September 2020, one of the livestock vessel's (Gulf Livestock 1) of the Group, sank off in Japanese waters. On board were 43 comprising 39 crew of Filipino nationality, and four Charterers' representatives - 2 New Zealand and 2 Australian citizens. Gulf Livestock 1 was carrying cattle destined to join the Chinese dairy farming and breeding programme. As a result of this incident the Group wrote off the carrying value of the vessel amounting to AED 197,541 thousand during the year ended 31 December 2020. The Group filed an insurance claim amounting to AED 82,350 thousand to recover the sum insured of the vessel. During the period, the Group received the full amount of AED 82,350 thousand from the insurance provider. This amount has been utilised to repay term loan IV [Note 10(e)]. As of 31 December 2020, the group reversed the income from insurance claim of AED 197,541 thousand presented in the interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2020 and recognized the actual income collected in the following year.

On 20 November 2019, one of the livestock vessel (Gulf Livestock 1) of the group suffered damage to main engine due to overheating of no 8 crankpin whilst manoeuvring after leaving Panjang port. The Group filed an insurance claim for the repairs cost and received confirmation during the current period amounting to AED 2,821 thousand. During the last quarter, the Group received the full amount of AED 2,821 thousand from the insurance provider.

The amount disclosed as "Income from insurance claim" in the interim condensed consolidated statement of comprehensive income includes the two above claims of AED 82,350 thousand and AED 2,821 thousand, and other miscellaneous insurance claims of AED 588 thousand.

#### 15. General and administrative expenses

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Staff costs [Note 15(b)]	<b>5,026</b>	7,586	<b>1,510</b>	2,286
Professional fees	<b>1,139</b>	1,528	<b>400</b>	407
Foreign exchange loss	<b>65</b>	142	<b>44</b>	18
Provision for claims [Note 15(a)]	<b>2,270</b>	-	-	-
Provision for expected credit losses	<b>1,861</b>	-	<b>1,861</b>	-
Consultancy fee	<b>1,576</b>	-	<b>1,576</b>	-
Commission on disposal of a vessel	-	1,872	-	-
Other administrative expenses	<b>2,848</b>	3,288	<b>1,118</b>	1,546
	<b>14,785</b>	14,416	<b>6,509</b>	4,257

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 15. General and administrative expenses (continued)

(a) Provision for claims includes provision for costs payable to the Port of Fujairah towards charges relating to a third-party vessel to which the Group was providing certain services. The vessel was arrested by the Port authorities in the year 2017 and auctioned off in March 2019. The sale proceeds from the vessel were received by the Port authorities in February 2021 and were not adequate to cover the charges payable by the vessel to the Port authorities. Further, the vessel owner declared bankruptcy, and as such, the charges are required to be borne by the Group. Consequently, a provision of AED 2,270 thousand has been recognised in the current period to bear such costs.

#### (b) Staff costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Salaries and wages	4,566	6,287	1,370	1,834
Employees' end of service benefits	78	189	24	74
Other benefits	382	1,110	116	378
	<u>5,026</u>	<u>7,586</u>	<u>1,510</u>	<u>2,286</u>

#### 16. Liabilities no longer required written back

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Waiver of loan [Note 10(d)]	20,385	-	20,385	-
Tax liabilities [Note 16(a)]	6,181	-	-	-
Others	308	-	-	-
	<u>26,874</u>	<u>-</u>	<u>20,385</u>	<u>-</u>

(a) During the year ended 31 December 2018, a branch of the Group received a letter from the tax authorities noting that the branch's returns for the financial years from 2010 to 2016 did not comply with the tax regulations. In 2018, the Group entered into an agreement with the tax authorities for an amount of AED 17,749 thousand towards full and final settlement of its tax dues for prior years up to 2016. Out of AED 17,749 thousand, the Group had settled AED 11,568 thousand as of 31 December 2019. During the period, the Group had received a waiver from the tax authorities for the remaining AED 6,181 thousand. Hence, the Group derecognised liabilities of AED 6,181 thousand which are included within 'Liabilities no longer required written back' in interim condensed consolidated statement of comprehensive income.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 17. Finance costs

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Finance costs on				
- Term loans	22,108	27,767	9,025	7,834
- Murabaha financing facility	-	298	-	-
- Loan from shareholders	-	1,144	-	-
- Islamic non-convertible sukuk	9,365	5,209	3,109	3,424
- Other loans	100	-	-	-
Other charges	366	1,863	-	1,762
	<u>31,939</u>	<u>36,281</u>	<u>12,134</u>	<u>13,020</u>

#### 18. Share capital

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
<i>Authorised:</i>		
1,019,209,250 shares (2020: 1,019,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>1,019,209</u>
<i>Issued and fully paid up:</i>		
1,019,209,250 shares (2020: 1,019,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>1,019,209</u>

#### 19. Earnings per share

	Nine-month period ended 30 September		Three-month period ended 30 September	
	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)	2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited) (Restated)
Earnings for the period attributable to owners of the Company	<u>86,724</u>	<u>(65,394)</u>	<u>6,618</u>	<u>(14,255)</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 0.085</u>	<u>(AED 0.064)</u>	<u>AED 0.006</u>	<u>(AED 0.014)</u>

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 20. 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 March 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 (12 May 2020)

During the period ended 31 December 2020, Islamic non-convertible sukuk amounting to USD 23,927 thousand equivalent to AED 87,572 thousand has been subscribed and cash has been received. Cost of issuance of Islamic non-convertible sukuk amounting to AED 9,915 thousand was set off from the principal amount and is being unwound over the period of the Sukuk.

#### 21. Operating leases as lessor

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

	<b>30 September 2021 AED’000 (Unaudited)</b>	31 December 2020 AED’000 (Audited)
Not later than one year	<b>108,208</b>	108,208
Between one year and five years	<b>107,215</b>	188,149
	<b><u>215,423</u></b>	<u>296,357</u>

#### 22. Restatement of comparative balances

During the current period, management identified certain errors relating to prior year and, accordingly, the following adjustments were made with a retrospective effect in accordance with *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*:

- (i) Under-accrual for underperformance claims relating to the year ended 31 December 2020.
- (ii) Unrecorded commitments relating to operating costs for the year ended 31 December 2020.

There is no impact of above adjustments on the equity as at 1 January 2020. Accordingly, a third column in the consolidated statement of financial position has not been presented by the Group’s management.

## Gulf Navigation Holding PJSC

### Notes to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 (continued)

#### 22. Restatement of comparative balances (continued)

##### *Interim condensed consolidated statement of comprehensive income for the nine-month period ended 30 September 2020:*

	As previously reported AED'000 (Unaudited)	Adjustments AED'000 (Unaudited)	As restated AED'000 (Unaudited)
Operating revenue (i)	110,969	(2,766)	108,203
Loss for the period (i)	(63,211)	(2,766)	(65,977)

##### *Interim condensed consolidated statement of comprehensive income for the three-month period ended 30 September 2020:*

	As previously reported AED'000 (Unaudited)	Adjustments AED'000 (Unaudited)	As restated AED'000 (Unaudited)
Operating revenue (i)	43,380	(2,766)	40,614
Loss for the period (i)	(11,545)	(2,766)	(14,311)

##### *Consolidated statement of financial position for the year ended 31 December 2020:*

	As previously reported AED'000	Adjustments AED'000	As restated AED'000
Trade and other payables (i and ii)	114,704	5,535	120,239
Accumulated losses (i and ii)	(724,124)	(5,535)	(729,659)