

# **Gulf Navigation Holding PJSC and its Subsidiaries**

**REPORTS AND CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

## **Gulf Navigation Holding PJSC and its Subsidiaries**

|  | <b>Pages</b>   |
|--|----------------|
| <b>Directors' report</b>   | <b>1 - 2</b>   |
| <b>Independent auditor's report</b>  | <b>3 - 8</b>   |
| <b>Consolidated statement of financial position</b>                            | <b>9</b>       |
| <b>Consolidated statement of profit or loss and other comprehensive income</b> | <b>10</b>      |
| <b>Consolidated statement of changes in equity</b>                             | <b>11</b>      |
| <b>Consolidated statement of cash flows</b>                                    | <b>12</b>      |
| <b>Notes to the consolidated financial statements</b>                          | <b>13 - 56</b> |

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors submit their report and consolidated financial statements of Gulf Navigation Holding PJSC (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2021. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held sometime within the first half of 2022.

### **Principal activities**

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

### **Results and appropriation of profit**

The results of the Group for the year ended 31 December 2021 are set out on page 10 of these consolidated financial statements.

### **Going concern**

As of 31 December 2021, the Group’s current liabilities exceeded its current assets by AED 127,874 thousand (2020: AED 338,749 thousand) and the Group has accumulated losses amounting to AED 668,909 thousand (2020: AED 729,659 thousand). The Group has made profit of AED 59,522 thousand (2020: loss AED 284,607 thousand) for the year then ended.

As at 31 December 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 (as amended), 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 (as amended).

During the year, 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. Also, 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 13(e)] 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 13(e)].

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

The cash flow forecast is based on following key assumptions:

- One vessel of the Group will be sold, in accordance with the cash flow forecast; and
- One of the shareholders will provide up to AED 8,500 thousand to fund the working capital of the Group in June 2022.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

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

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 (as amended), 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 been already completed and the report presented to the Board of Directors. Consequently, a General Assembly Meeting was held on 31 January 2022, and it was resolved to approve the issuance of Mandatory Convertible Bonds for a value up to AED 150,000,000 (One hundred and fifty million UAE Dirhams) ("New Bonds") by way of a private placement. It was also resolved to approve the increase of the share capital of the Company by AED 450,000,000 distributed among 450,000,000 shares for the purposes of converting the New Bonds into shares in the Company.

### **Directors**

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

Sheikh Theyab Bin Tahnoon Bin Mohammad Al Nahyan (Chairman)  
Mr. Abdulla Subhi Ahmed Atatreh (Vice-Chairman)  
Mr. Mohamed Ahmad Abdulla Rasheed Alhammadi (Director)  
Mr. Abdulaziz Fahad H. Alongary (Director)  
Mr. Waleed Mohammad Mohammad (Director) – Resignation Date 10/06/2021  
Mr. Ahmad Mohamed Fathi Kilani (Director)  
Mr. Abdul Rahman Mahmoud Abdul Rahman Mohamad Al Afifi (Director)

### **Auditors**

The consolidated financial statements of the Group have been audited by Ernst & Young.


**Signed by:**



**Dr. Abdul Rahman Al Afeefi**  
Board Member



**Ahmad "M.F." A. Al Kilani**  
Board Member



**Ali Abouda**  
Chief Financial Officer



**Ernst & Young Middle East  
(Dubai Branch)**  
P.O. Box 9267  
Ground Floor, ICD Brookfield Place  
Al Mustaqbal Street  
Dubai International Financial Centre  
Dubai  
United Arab Emirates

Tel: +971 4 701 0100  
+971 4 332 4000  
Fax: +971 4 332 4004  
dubai@ae.ey.com  
ey.com

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC**

### **Report on the audit of the Consolidated Financial Statements**

#### **Qualified Opinion**

We have audited the consolidated financial statements of Gulf Navigation Holding PJSC (the "Parent Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### **Basis for Qualified opinion**

The consolidated financial statements for the year ended 31 December 2020 were audited by another auditor. However, we have not been able to verify the opening balances as at 1 January 2021 and as a result, we are unable to satisfy ourselves as to the correctness of the opening balances as at 1 January 2021. Since the opening balances as at 1 January 2021 enter into the determination of the results of the operations for the year ended 31 December 2021, we are unable to determine whether adjustments to the opening balances as at 1 January 2021 and the results of operations for the year ended 31 December 2021 reported in the consolidated statement of Comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows might be necessary.

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

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

We draw attention to Note 2 to the 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 6,661 thousand, incurred a loss of AED 32,898 thousand for the year ended 31 December 2021 (2020: loss AED 284,607 thousand) and, as of that date, the Group's current liabilities exceeded its current assets by AED 127,874 thousand (2020: AED 338,749 thousand).

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)**

### **Report on the audit of the Consolidated Financial Statements (continued)**

#### **Material Uncertainty Related to Going Concern (continued)**

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 to the 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.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### **Key audit matter**

#### **How our audit addressed the key audit matter**

##### **The monitoring of debt and liquidity position**

Covenants compliance is a key audit matter as the Group's credit facilities are subject to several covenants. Notes 2 and 13 to the consolidated financial statements discloses the status of the Group's compliance with debt covenants and steps taken by management with the objective of improving the Group's debt and liquidity position.

Future compliance with debt covenants and monitoring of the liquidity position are important aspects for our audit since it can have a major impact on the going concern assumption, on the basis of which the consolidated financial statements are prepared. Substantiation of future compliance with such covenants and monitoring the liquidity position are based on expectations and estimates about future market and/or economic conditions, etc. These expectations and estimates can be influenced by subjective elements such as estimated future cash flows, forecasted results and margins from operations and expectations regarding future developments in the economy and the market.

We have performed the following procedures:

- We evaluated the external inputs and assumptions within the going concern model by benchmarking them against market observable external data.
- We also reviewed documentation substantiating the sources of future funding available to the Group.
- We challenged the sensitivities and stress testing that management performed on the going concern forecast.
- We also verified the Group's debt covenants calculation and compliance as of 31 December 2021 and evaluated the adequacy of the related disclosures as required by IFRS.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)**

### **Report on the audit of the Consolidated Financial Statements (continued)**

#### **Assessment of the carrying value of goodwill**

Under IFRSs, the Group is required to annually test the goodwill for impairment. This annual impairment test was significant to our audit because the carrying value of goodwill of AED 143,463 thousand as of 31 December 2021 is material to the consolidated financial statements. In addition, management's assessment process is judgmental and is based on certain assumptions, specifically gross margins, growth rate and discount rate that are affected by expected future market or economic conditions.

Goodwill is monitored by the management at the operating segment level. The Group has identified the vessel owning and chartering division, marine products sales and distribution and shipping services as its operating segments. Goodwill has been allocated to the vessel owning and charter segment.

We have performed the following procedures:

- We evaluated the management's future cash flow forecasts and the process by which they were drawn up and tested the integrity of the underlying discounted cash flow model.
- We compared the forecasts used in this model to the plan and assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy.
- We also evaluated the directors' assumptions used for the future cash flow growth in the plan, by performing a sensitivity analysis in respect of the key assumptions to ascertain the extent of change in those assumptions which, either individually or collectively, would be required for the goodwill to be impaired. We assessed the likelihood of these changes in assumptions arising.
- For the impairment assessment we involved our internal valuation specialists to test the discount rates, by comparing key inputs, where relevant, to externally derived data or data for comparable listed organisation.
- We considered the use of the long-term GDP growth rate for the country in which the CGU operates for the growth rate used beyond the period covered by the plan.
- Furthermore, we evaluated the adequacy of the Group's disclosures concerning goodwill in Note 7 to the consolidated financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)**

### **Report on the audit of the Consolidated Financial Statements (continued)**

#### **Other information**

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 33 to these financial statements.

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charge with governance and take appropriate actions in accordance with ISAs.

#### **Responsibilities of the management and the Board of Directors for the Consolidated Financial Statements**

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

#### **Auditor's responsibilities for the Audit of the Consolidated Financial Statements**

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



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC (continued)**

### **Report on the audit of the Consolidated Financial Statements (continued)**

#### **Auditor's responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GULF NAVIGATION HOLDING PJSC (continued)**

**Report on other legal and regulatory requirements**

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the association of the Company and the UAE Federal Law No. (2) of 2015 (as amended);
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Company;
- v) the Company has not made any investments in shares and stocks during the year ended 31 December 2021;
- vi) note 17 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- viii) note 20 reflects the social contributions made during the year ended 31 December 2021.

For Ernst & Young



Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No. 690

31 March 2022

Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its Subsidiaries  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2021

|   | <i>Notes</i> | <b>2021</b><br><b>AED'000</b> | <b>2020</b><br><b>AED'000</b><br><i>(Restated*)</i> |
|---|--------------|-------------------------------|---|
| <b>ASSETS</b>                                       |              |                               |   |
| <b>Non-current assets</b>                           |              |                               |   |
| Vessels, property and equipment                     | 5            | <b>626,884</b>                | 648,221   |
| Rights-of-use assets                                | 6            | <b>192</b>                    | 575   |
| Goodwill  | 7            | <b>143,463</b>                | 143,463   |
| <b>Total non-current assets</b>                     |              | <b>770,539</b>                | 792,259   |
| <b>Current assets</b>                               |              |                               |   |
| Inventories   | 8            | <b>8,258</b>                  | 6,443   |
| Trade and other receivables                         | 9            | <b>30,965</b>                 | 41,896  |
| Cash and bank balances                              | 10           | <b>24,675</b>                 | 21,891  |
| <b>Total current assets</b>                         |              | <b>63,898</b>                 | 70,230  |
| <b>TOTAL ASSETS</b>                                 |              | <b>834,437</b>                | 862,489   |
| <b>EQUITY AND LIABILITIES</b>                       |              |                               |   |
| <b>Equity</b>                                       |              |                               |   |
| Share capital                                       | 11           | <b>1,019,209</b>              | 1,019,209   |
| Statutory reserve                                   | 12           | <b>19,747</b>                 | 19,747  |
| Accumulated losses                                  |              | <b>(668,909)</b>              | (729,659)   |
| Other reserves                                      |              | <b>(2,724)</b>                | (2,724)   |
| <b>Equity attributable to owners of the Company</b> |              | <b>367,323</b>                | 306,573   |
| Non-controlling interests                           | 32           | <b>10,148</b>                 | 11,376  |
| <b>Total equity</b>                                 |              | <b>377,471</b>                | 317,949   |
| <b>Liabilities</b>                                  |              |                               |   |
| <b>Non-current liabilities</b>                      |              |                               |   |
| Lease liabilities                                   | 6            | <b>-</b>                      | 128   |
| Interest payable on borrowings                      | 16           | <b>10,946</b>                 | -   |
| Borrowings  | 13           | <b>171,686</b>                | 54,539  |
| Islamic non-convertible sukuk                       | 14           | <b>81,385</b>                 | 79,546  |
| Provision for employees' end of service benefits    | 15           | <b>1,177</b>                  | 1,348   |
| <b>Total non-current liabilities</b>                |              | <b>265,194</b>                | 135,561   |
| <b>Current liabilities</b>                          |              |                               |   |
| Lease liabilities                                   | 6            | <b>192</b>                    | 486   |
| Borrowings  | 13           | <b>57,546</b>                 | 271,272   |
| Trade and other payables                            | 16           | <b>123,196</b>                | 120,239   |
| Loan from related parties                           | 17           | <b>10,838</b>                 | 16,838  |
| Due to a related party                              | 17           | <b>-</b>                      | 144   |
| <b>Total current liabilities</b>                    |              | <b>191,772</b>                | 408,979   |
| <b>Total liabilities</b>                            |              | <b>456,966</b>                | 544,540   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |              | <b>834,437</b>                | 862,489   |

\* Refer Note 33 for details regarding prior year adjustments.

The consolidated financial statements were approved by the Board of Directors on 31 March 2022 and signed on its behalf by:



**Dr. Abdul Rahman Al Afeefi**  
Board Member



**Ahmad "M.F." A. Al Kilani**  
Board Member



**Ali Abouda**  
Chief Financial Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

# Gulf Navigation Holding PJSC and its Subsidiaries

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

|   | <i>Notes</i> | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated*)</i> |
|---|--------------|-------------------------------|---|
| Operating revenue   | 18           | <b>121,980</b>                | 142,641   |
| Operating costs   | 19           | <b>(98,022)</b>               | (143,161)   |
| <b>Gross profit / (loss)</b>  |              | <b>23,958</b>                 | (520)   |
| Write-off of a vessel   | 5            | -                             | (197,541)   |
| Loss on disposal of asset   | 5            | -                             | (9,610)   |
| Provision for impairment of vessels                                 | 5            | -                             | (12,649)  |
| Income on discounting of a financial liability to its present value | 13(e)        | <b>3,265</b>                  | -   |
| General and administrative expenses                                 | 20           | <b>(18,667)</b>               | (17,946)  |
| Other income  |              | <b>794</b>                    | 185   |
| Income from insurance claim   | 24           | <b>85,759</b>                 | -   |
| Liabilities no longer required written back                         | 25           | <b>6,661</b>                  | 1,926   |
| <b>Operating profit/ (loss) for the period</b>                      |              | <b>101,770</b>                | (236,155)   |
| Finance costs   | 23           | <b>(40,418)</b>               | (46,622)  |
| <b>Profit / (loss) before income tax</b>                            |              | <b>61,352</b>                 | (282,777)   |
| Income tax  |              | <b>(1,830)</b>                | (1,830)   |
| <b>Profit / (loss) for the year</b>                                 |              | <b>59,522</b>                 | (284,607)   |
| Other comprehensive income for the year                             |              | -                             | -   |
| <b>Total comprehensive income/ (loss) for the year</b>              |              | <b>59,522</b>                 | (284,607)   |
| Attributable to:  |              |                               |   |
| Owners of the Company   |              | <b>60,750</b>                 | (284,464)   |
| Non-controlling interests   |              | <b>(1,228)</b>                | (143)   |
| <b>Total comprehensive income/ (loss) for the year</b>              |              | <b>59,522</b>                 | (284,607)   |
| <b>Earnings per share attributable to owners of the Company</b>     |              |                               |   |
| - Basic and diluted (AED)   | 22           | <b>0.060</b>                  | (0.279)   |

\* Refer Note 33 for details regarding prior year adjustments.

The attached notes 1 to 34 form part of these consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021

|   | <i>Attributable to owners of the Company</i> |   |  |  |                                 | <i>Non-controlling interests</i><br><i>AED '000</i> | <i>Total</i><br><i>AED '000</i> |
|---|--|---|--|--|---------------------------------|---|---------------------------------|
|   | <i>Share capital</i><br><i>AED '000</i>      | <i>Statutory reserve</i><br><i>AED '000</i> | <i>Accumulated losses</i><br><i>AED '000</i> | <i>Other reserves</i><br><i>AED '000</i> | <i>Total</i><br><i>AED '000</i> |   |                                 |
| Balance at 1 January 2020                         | 1,019,209                                    | 19,747                                      | (445,195)                                    | (2,724)                                  | 591,037                         | 11,519  | 602,556                         |
| Total comprehensive loss for the year (restated*) | -  | -   | (284,464)                                    | -  | (284,464)                       | (143)   | (284,607)                       |
| Balance at 31 December 2020                       | <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 year  | -  | -   | 60,750                                       | -  | 60,750                          | (1,228)   | 59,522                          |
| Balance at 31 December 2021                       | <u><b>1,019,209</b></u>                      | <u><b>19,747</b></u>                        | <u><b>(668,909)</b></u>                      | <u><b>(2,724)</b></u>                    | <u><b>367,323</b></u>           | <u><b>10,148</b></u>                                | <u><b>377,471</b></u>           |

\* Refer Note 33 for details regarding prior year adjustments.

# Gulf Navigation Holding PJSC and its Subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

|  | <i>Notes</i> | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
|--|--------------|-------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |              |                               |  |
| Profit / (loss) for the year   |              | <b>59,522</b>                 | (284,607)  |
| <i>Adjustments for:</i>  |              |                               |  |
| Write-off of a vessel  | 5            | -                             | 197,541  |
| Provision for impairment of vessels  | 5            | -                             | 12,649   |
| Loss on disposal of vessel   | 5            | -                             | 9,610  |
| Depreciation of vessels, property and equipment                                | 5            | <b>39,659</b>                 | 46,113   |
| Amortisation of right-of-use assets  | 6            | <b>383</b>                    | 730  |
| Impairment of rights-of-use asset  | 6            | -                             | 230  |
| Provision for impairment of trade receivables                                  | 9            | <b>2,142</b>                  | -  |
| Income on discounting of a financial liability to its present value            | 13           | <b>(3,265)</b>                | -  |
| Provision for employees' end of service benefits                               | 15           | <b>128</b>                    | 230  |
| Finance costs  | 23           | <b>40,418</b>                 | 46,622   |
| Liabilities no longer required written back                                    | 25           | <b>(6,661)</b>                | (1,926)  |
| <b>Operating cash flows before changes in operating assets and liabilities</b> |              | <b>132,326</b>                | 27,192   |
| Inventories  |              | <b>(1,815)</b>                | 2,906  |
| Due from a related party   |              | <b>(144)</b>                  | -  |
| Trade and other receivables  |              | <b>8,790</b>                  | 9,103  |
| Trade and other payables   |              | <b>6,175</b>                  | (6,062)  |
| <b>Cash generated from operations</b>  |              | <b>145,332</b>                | 33,139   |
| Employees' end of service benefits paid  | 15           | <b>(299)</b>                  | (694)  |
| <b>Net cash generated from operating activities</b>                            |              | <b>145,033</b>                | 32,445   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |              |                               |  |
| Purchase of vessels, property and equipment                                    | 5            | <b>(18,322)</b>               | (3,110)  |
| Proceeds from disposal of vessels, property and equipment                      |              | -                             | 5,459  |
| Net cash (used in)/from investing activities                                   |              | <b>(18,322)</b>               | 2,349  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |              |                               |  |
| Payment of principal portion of lease liabilities                              | 6            | <b>(422)</b>                  | (1,120)  |
| Increase in restricted cash  | 10           | <b>(279)</b>                  | (3,177)  |
| Payment of arrangement fee   | 13           | <b>(3,301)</b>                | (9,195)  |
| Proceeds from borrowings   | 13           | <b>52,155</b>                 | -  |
| Repayment of borrowings  | 13           | <b>(148,517)</b>              | (71,479)   |
| Proceeds from Islamic non-convertible sukuk                                    | 14           | -                             | 87,572   |
| Loan from related parties  | 17           | -                             | 10,008   |
| Repayment of loan obtained from a related party                                | 17           | <b>(6,000)</b>                | (32,019)   |
| Interest paid  |              | <b>(17,842)</b>               | (25,070)   |
| Net cash used in financing activities  |              | <b>(124,206)</b>              | (44,480)   |
| <b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>   |              | <b>2,505</b>                  | (9,686)  |
| Cash and cash equivalents at the beginning of the year                         |              | <b>7,235</b>                  | 16,921   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                        |              | <b>9,740</b>                  | 7,235  |
| Restricted cash  |              | <b>14,935</b>                 | 14,656   |
| <b>TOTAL CASH AND BANK BALANCES</b>  |              | <b>24,675</b>                 | 21,891   |

The attached notes 1 to 34 form part of these consolidated financial statements.

# Gulf Navigation Holding PJSC and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC (“the Company”) is validly existing as a public joint stock company since 30 October 2006 as per the Resolution of the Ministry of Economy No. 425 of 2006 and in accordance with UAE Federal Law No. (2) of 2015 (as amended). 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 these consolidated financial statements:

| <i>Subsidiaries</i>   | <i>Principal activities</i>                               | <i>Country of incorporation</i> | <i>% equity interest</i> |             |
|---|---|---------------------------------|--------------------------|-------------|
|   |   |                                 | <i>2021</i>              | <i>2020</i> |
| Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC | Ship Charter, etc.  | UAE                             | 100                      | 100         |
| Gulf Navigation Group FZCO  | Ship Charter, etc. / Ships and Boats Maintenance Services | UAE                             | 100                      | 100         |
| GulfNav Ship Management FZE   | Ship Charter, etc. / Ships and Boats Maintenance Services | UAE                             | 100                      | 100         |
| Gulf Crude Carriers (L.L.C)   | Ship Charter, etc.  | UAE                             | 100                      | 100         |
| Gulf Chemical Carriers (L.L.C)  | Ship Charter, etc.  | UAE                             | 100                      | 100         |
| Gulf Navigation Polimar Maritime LLC  | Sea Shipping Lines Agents                                 | UAE                             | 60                       | 60          |
| Gulf Navigation and Brokerage LLC   | Ship Brokerage  | Oman                            | 100                      | 100         |
| Gulf Eyadah Corporation   | Ship Owning   | Panama                          | 100                      | 100         |
| Gulf Huwaylat Corporation   | Ship Owning   | Panama                          | 100                      | 100         |
| Gulf Deffi Corporation  | Ship Owning   | Panama                          | 100                      | 100         |
| Gulf Jalmuda Corporation  | Ship Owning   | Panama                          | 100                      | 100         |
| Gulf Fanatir Corporation  | Ship Owning   | Panama                          | 100                      | 100         |
| Gulf Navigation Mishref Limited   | Ship Owning   | Cayman Islands                  | 100                      | 100         |
| Gulf Navigation Mirdif Limited  | Ship Owning   | Cayman Islands                  | 100                      | 100         |
| Gulf Navigation Sukuk Limited   | Issuance of sukuk   | Cayman Islands                  | 100                      | 100         |
| Gulf Maritime Ship Management LLC   | Ship Management and Operations                            | UAE                             | 100                      | 100         |
| Gulf Ship Management Co LLC   | Ship Management and Operations, etc                       | UAE                             | 100                      | 100         |

# Gulf Navigation Holding PJSC and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 1 LEGAL STATUS AND ACTIVITIES (continued)

| <i>Subsidiaries</i>  | <i>Principal activities</i> | <i>Country of incorporation</i> | <i>% equity interest</i> |             |
|--|-----------------------------|---------------------------------|--------------------------|-------------|
|  |                             |                                 | <i>2021</i>              | <i>2020</i> |
| 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 Owing 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 2 Ltd., Inc.              | Ship Owning                 | Panama                          | <b>100</b>               | 100         |
| Kabedah S.A.   | Ship Owning                 | Panama                          | <b>100</b>               | 100         |
| Durango Shipping Ltd.<br>(annulled on 28 April 2021)         | Ship Owning                 | Marshall Islands                | <b>100</b>               | 100         |
| Gulf Crude Carriers Co. Ltd.<br>(registered on 14 July 2021) | Ship Charter, etc           | Liberia                         | <b>100</b>               | 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  | 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>2021</i>              | <i>2020</i> |
| Gulf Stolt Tankers DMCCO (“GST”)<br>(deregistered on 09 May 2021) | Ship Charter              | UAE                             | <b>n/a</b>               | 50%         |



## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the applicable requirements of the local laws of the countries where the Group operates. For the new standards and amendments adopted during the current year, refer section “Changes in accounting policy and disclosures”.

Federal Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Group is in the process of reviewing the new law and will apply the applicable requirements thereof no later than one year from the date on which the new Decree Law came into effect.

The consolidated financial statements are prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The consolidated financial statements of the Group were authorised for issue on 31 March 2022.

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.3 GOING CONCERN

As of 31 December 2021, the Group's current liabilities exceeded its current assets by AED 127,874 thousand (2020: AED 338,749 thousand) and the Group has accumulated losses amounting to AED 668,909 thousand (2020: AED 729,659 thousand). The Group has made profit of AED 59,522 thousand (2020: loss AED 284,607 thousand) for the year then ended.

As at 31 December 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 (as amended), 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 (as amended).

During the year, 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. Also, 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 13(e)] 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 13(e)].

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

The cash flow forecast is based on following key assumptions:

- One vessel of the Group will be sold, in accordance with the cash flow forecast; and
- One of the shareholders will provide up to AED 8,500 thousand to fund the working capital of the Group in June 2022.

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 (as amended), 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 been already completed and the report presented to the Board of Directors. Consequently, a General Assembly Meeting was held on 31 January 2022, and it was resolved to approve the issuance of Mandatory Convertible Bonds for a value up to AED 150,000,000 (One hundred and fifty million UAE Dirhams) ("New Bonds") by way of a private placement. It was also resolved to approve the increase of the share capital of the Company by AED 450,000,000 distributed among 450,000,000 shares for the purposes of converting the New Bonds into shares in the Company.

### 2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### **New standards, interpretations and amendments adopted by the Group**

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following new standards, amendments, and interpretations, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### **IASB new standards and interpretations issued, effective and adopted by the Group**

The following relevant amendments and interpretations to accounting standards were applied in the preparation of the consolidated financial statements of the Group.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**IASB new standards and interpretations issued, effective and adopted by the Group (continued)**

*Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16*

In March 2021, the IASB amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021 with early adoption permitted.

Lessees will apply the 2021 amendment retrospectively, recognising the cumulative effect of initially applying it as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which they first apply the amendment. In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying the 2020 amendment (which the Company had adopted in the previous year) or 2021 amendment. The amendment did not have any impact on the Group's consolidated financial statements for the year ended 31 December 2021.

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

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments are applicable for the financial years beginning on or after 1 January 2021 and 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 amendment did not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2021.

**IASB Standards, amendments and interpretations in issue but not yet effective**

The new and amended standards and interpretations that are issued as at 31 December 2021, but not yet effective are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022).
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for annual periods beginning on or after 1 January 2022).
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022).
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective for annual periods beginning on or after 1 January 2022).
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The above amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.5 SIGNIFICANT ACCOUNTING POLICIES

#### Impact of COVID-19

The outbreak of the coronavirus (“COVID-19”) across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities.

The duration and extent of the pandemic and related financial, social and public health impact of the pandemic are uncertain. To the extent that the ongoing impacts can be estimated, we have considered such uncertainties in preparation of the consolidated financial statements.

However, the expected duration and magnitude of the COVID-19 pandemic continues to evolve and its potential impacts on the economy are unclear. Hence, there are uncertainties that may impact the business in future. In response to this crisis, the Group is taking proactive measures to monitor and manage the situation to support the long-term continuity of its business and make the necessary judgements and estimates as may be required

#### Foreign currency translation

##### *Functional and presentation currency*

Items included in the financial statements of each of the Group’s subsidiaries and jointly controlled entities (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 Dollars (“USD”) or currencies pegged to the USD, the functional currency of the entities is USD. However, the consolidated financial statements of the Group are presented in United Arab Emirates Dirhams (“AED”), which is the presentation currency of the Group. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to bank borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within ‘finance income or costs’. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within ‘other income’.

##### *Group companies*

The results and financial position of all the Group subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Business combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred; the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
  - Held primarily for the purpose of trading
  - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least
  - twelve months after the reporting period

All other assets are classified as non-current.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Current versus non-current classification (continued)**

A liability is current when:

- It is expected to be settled in the normal operating cycle
  - It is held primarily for the purpose of trading
  - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

**Vessels, property and equipment**

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

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

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

|                        | <i>Years</i> |
|------------------------|--------------|
| Vessels                |              |
| • Chemical tankers     | 10 - 30      |
| • Livestock vessels    | 20 - 40      |
| • Dry docking costs    | 3 - 5        |
| Leasehold improvements | 10           |
| Equipment              | 2 - 5        |
| Furniture & fixtures   | 5            |
| Vehicles               | 5            |

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

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

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

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

**Capital work-in-progress**

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

**Impairment of tangible and intangible assets**

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of tangible and intangible assets (continued)**

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

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

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

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

**Revenue recognition**

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

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

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

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

**Inventories**

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

**Income tax**

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

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

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

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax (continued)

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

#### Financial instruments

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

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

#### Financial assets

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

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

#### *Classification of financial assets*

##### (i) Debt instruments designated at amortised cost

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

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

##### (ii) Debt instrument designated at other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

##### (iii) Amortised cost and effective interest rate method

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

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

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



**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

*Classification of financial assets (continued)*

(iv) Amortised cost and effective interest rate method (continued)

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

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

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

(v) Equity instruments designated as at FVTOCI

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

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

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

*Impairment of financial assets*

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

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

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

*Impairment of financial assets (continued)*

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

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

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

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

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

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

*Derecognition of financial assets*

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Financial liabilities**

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

*Financial liabilities at FVTPL*

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

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

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

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

*Financial liabilities measured subsequently at amortised cost*

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

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

*Derecognition of financial liabilities*

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Provisions**

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

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employee benefits**

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

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

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

**Foreign currencies**

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

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

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

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currencies (continued)**

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

**Leases**

The Group as lessee

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

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

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

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

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

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

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

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

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

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

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

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

The Group as lessor

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

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

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

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

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

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

**Borrowing costs**

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

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

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

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

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

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Borrowing costs (continued)**

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

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

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

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

#### **Value added tax (VAT)**

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

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

#### **Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

#### ***Critical judgments in applying the Group's accounting policies***

In the process of applying the Group's accounting policies, which are described in Note 3, management has made the following judgments that has a significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### ***Going concern***

The Directors of the Group has made an assessment of the Group's ability to continue as a going concern, as disclosed in Note 2 of these consolidated financial statements. Based on the assessment, the Directors have concluded that, in aggregate, due to the significance of the matters as disclosed in Note 2, these events and conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as going concern. Significant disruptions to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business.

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

*Critical judgments in applying the Group's accounting policies (continued)*

*Taxes*

The Group has exposure to taxes primarily in the Kingdom of Saudi Arabia. Significant judgment is involved in determining the provision for tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the period in which such determination is made.

*Key sources of estimation uncertainty*

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

*Impairment of vessels and goodwill*

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

The cash flows are derived from the budget of the remaining useful life of the vessels and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the vessels being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for the extrapolation purposes. These estimates are most relevant to impairment of vessels and goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 5 and 7 of these consolidated financial statements.

*Estimating useful lives of vessels, property and equipment*

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

*Classification of leases - Group as a Lessor*

The Group has entered into long term vessel leasing arrangements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vessel and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessel, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

*Group as a lessee*

*Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.



### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

#### *Key sources of estimation uncertainty (continued)*

##### *Provision for expected credit losses of trade receivables*

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

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

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

##### *Allowance for slow moving obsolete inventory*

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

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

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

#### **Geographical segments**

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

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

Gulf Navigation Holding PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**4 OPERATING SEGMENTS (continued)**

|   | <i>Vessel<br/>owning and<br/>chartering<br/>AED '000</i> | <i>Ship<br/>management<br/>AED '000</i> | <i>Marine<br/>product<br/>sales and<br/>distribution<br/>AED '000</i> | <i>Shipping<br/>and<br/>technical<br/>services<br/>AED '000</i> | <i>Other<br/>AED '000</i> | <i>Inter-<br/>segment<br/>elimination<br/>AED '000</i> | <i>Total<br/>AED '000</i> |
|---|--|---|---|---|---------------------------|--|---------------------------|
| Operating revenue   | 116,303  | 993                                     | 20  | 5,657   | -                         | (993)  | 121,980                   |
| Operating costs   | (95,829)   | -                                       | (5)   | (3,181)   | -                         | 993  | (98,022)                  |
| Other income  | 636  | -                                       | 25  | 1   | 901                       | (769)  | 794                       |
| Income from insurance claim   | 85,759   | -                                       | -   | -   | -                         | -  | 85,759                    |
| Income on discounting of a financial liability to its present value | 3,265  | -                                       | -   | -   | -                         | -  | 3,265                     |
| General and administrative expenses                                 | (1,983)  | (1,968)                                 | (55)  | (6,947)   | (8,483)                   | 769  | (18,667)                  |
| Finance costs   | (27,800)   | -                                       | -   | -   | (12,618)                  | -  | (40,418)                  |
| Liabilities no longer required written back                         | -  | -                                       | -   | -   | 6,661                     | -  | 6,661                     |
| Income tax  | -  | -                                       | -   | -   | (1,830)                   | -  | (1,830)                   |
| <b>Reportable segment profit/(loss)</b>                             | <b>80,351</b>  | <b>(975)</b>                            | <b>(15)</b>   | <b>(4,470)</b>  | <b>(15,369)</b>           | <b>-</b>   | <b>59,522</b>             |

At 31 December 2021

|                                       |                  |                 |                |                |                  |                    |                  |
|---------------------------------------|------------------|-----------------|----------------|----------------|------------------|--------------------|------------------|
| <b>Reportable segment assets</b>      | <b>904,242</b>   | <b>23,315</b>   | <b>3,234</b>   | <b>14,350</b>  | <b>1,555,520</b> | <b>(1,666,224)</b> | <b>834,437</b>   |
| <b>Reportable segment liabilities</b> | <b>(794,785)</b> | <b>(27,466)</b> | <b>(3,956)</b> | <b>(9,083)</b> | <b>(833,985)</b> | <b>1,212,309</b>   | <b>(456,966)</b> |

Gulf Navigation Holding PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**4 OPERATING SEGMENTS (continued)**

|   | <i>Vessel<br/>owning and<br/>chartering<br/>AED '000</i> | <i>Ship<br/>management<br/>AED '000</i> | <i>Marine<br/>product<br/>sales and<br/>distribution<br/>AED '000</i> | <i>Shipping<br/>and<br/>technical<br/>services<br/>AED '000</i> | <i>Other<br/>AED '000</i> | <i>Inter-<br/>segment<br/>elimination<br/>AED '000</i> | <i>Total<br/>AED '000<br/>(Restated)</i> |
|---|--|---|---|---|---------------------------|--|--|
| Operating revenue                           | 137,028  | 3,000                                   | 84  | 5,529   | -                         | (3,000)  | 142,641                                  |
| Operating costs                             | (142,678)  | -                                       | (34)  | (3,449)   | -                         | 3,000  | (143,161)                                |
| Other income                                | 1  | -                                       | 174   | 5   | 1,041                     | (1,036)  | 185                                      |
| General and administrative expenses         | (3,053)  | (3,258)                                 | (172)   | (3,602)   | (8,897)                   | 1,036  | (17,946)                                 |
| Finance costs                               | (37,290)   | -                                       | -   | -   | (9,332)                   | -  | (46,622)                                 |
| Provision for impairment of vessels         | (12,649)   | -                                       | -   | -   | -                         | -  | (12,649)                                 |
| Loss on disposal of asset                   | (9,610)  | -                                       | -   | -   | -                         | -  | (9,610)                                  |
| Write-off of a vessel                       | (197,541)  | -                                       | -   | -   | -                         | -  | (197,541)                                |
| Liabilities no longer required written back | 580  | -                                       | -   | -   | 1,346                     | -  | 1,926                                    |
| Income tax                                  | -  | -                                       | -   | -   | (1,830)                   | -  | (1,830)                                  |
| Reportable segment profit/(loss)            | <u>(265,212)</u>   | <u>(258)</u>                            | <u>52</u>   | <u>(1,517)</u>  | <u>(17,672)</u>           | <u>-</u>   | <u>(284,607)</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 (Restated)   | <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 CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 5 VESSELS, PROPERTY AND EQUIPMENT

|  | <i>Vessels</i><br><i>AED '000</i> | <i>Leasehold</i><br><i>improvements</i><br><i>AED '000</i> | <i>Equipment</i><br><i>AED '000</i> | <i>Furniture</i><br><i>and</i><br><i>fixtures</i><br><i>AED '000</i> | <i>Vehicles</i><br><i>AED '000</i> | <i>Total</i><br><i>AED '000</i> |
|--|-----------------------------------|--|-------------------------------------|--|------------------------------------|---------------------------------|
| <b>Cost:</b>   |                                   |  |                                     |  |                                    |                                 |
| At 1 January 2020                                      | 1,588,928                         | 3,845  | 2,627                               | 504  | 428                                | 1,596,332                       |
| Additions  | 3,110                             | -  | -                                   | -  | -                                  | 3,110                           |
| Write-off [Note 5(c)]                                  | (207,460)                         | -  | -                                   | -  | -                                  | (207,460)                       |
| Disposals [Note 5(b)]                                  | (126,226)                         | -  | -                                   | -  | -                                  | (126,226)                       |
| At 31 December 2020                                    | 1,258,352                         | 3,845  | 2,627                               | 504  | 428                                | 1,265,756                       |
| Additions  | 18,322                            | -  | -                                   | -  | -                                  | 18,322                          |
| Disposals  | -                                 | -  | -                                   | (15)   | -                                  | (15)                            |
| <b>At 31 December 2021</b>                             | <b>1,276,674</b>                  | <b>3,845</b>   | <b>2,627</b>                        | <b>489</b>   | <b>428</b>                         | <b>1,284,063</b>                |
| <b>Accumulated depreciation and impairment losses:</b> |                                   |  |                                     |  |                                    |                                 |
| At 1 January 2020                                      | 612,421                           | 2,382  | 2,199                               | 302  | 419                                | 617,723                         |
| Charge for the year [Note 5(e)]                        | 45,418                            | 455  | 92                                  | 142  | 6                                  | 46,113                          |
| Relating to assets written-off [Note 5(c)]             | (9,919)                           | -  | -                                   | -  | -                                  | (9,919)                         |
| Relating to disposals [Note 5(b)]                      | (49,031)                          | -  | -                                   | -  | -                                  | (49,031)                        |
| Impairment loss [Note 5(d)]                            | 12,649                            | -  | -                                   | -  | -                                  | 12,649                          |
| At 31 December 2020                                    | 611,538                           | 2,837  | 2,291                               | 444  | 425                                | 617,535                         |
| Charge for the year [Note 5(e)]                        | 38,987                            | 451  | 158                                 | 60   | 3                                  | 39,659                          |
| Relating to disposals                                  | -                                 | -  | -                                   | (15)   | -                                  | (15)                            |
| <b>At 31 December 2021</b>                             | <b>650,525</b>                    | <b>3,288</b>   | <b>2,449</b>                        | <b>489</b>   | <b>428</b>                         | <b>657,179</b>                  |
| <b>Carrying value:</b>                                 |                                   |  |                                     |  |                                    |                                 |
| <b>At 31 December 2021</b>                             | <b>626,149</b>                    | <b>557</b>   | <b>178</b>                          | <b>-</b>   | <b>-</b>                           | <b>626,884</b>                  |
| At 31 December 2020                                    | 646,814                           | 1,008  | 336                                 | 60   | 3                                  | 648,221                         |

**5 VESSELS, PROPERTY AND EQUIPMENT (continued)**

- (a) Vessels with a carrying value of AED 569,915 thousand (2020: AED 609,776 thousand) as at 31 December 2021 are mortgaged as security for bank borrowings (Note 13).
- (b) During the year ended 31 December 2020, disposals represented disposal of Gulf Mirdif vessel with carrying value of AED 77,195 thousand at sales proceed of AED 68,076 thousand. Consequently, the Group incurred a loss on disposal of the vessel amounting to AED 9,610 thousand which has been recognised in consolidated statement of profit or loss and other comprehensive income. Such vessel was pledged as security under finance lease (Note 6).
- (c) On 2 September 2020, one of the livestock vessel's (Gulf Livestock 1) of the Group, sank off in Japanese waters. On board were 43 individuals comprising 39 crew of Filipino nationality, and four Charterers' representatives - 2 New Zealand and 2 Australian citizens. Gulf Livestock 1 was carrying cattle destined to join the Chinese dairy farming and breeding programme. As a result of this incident the Group has written off the carrying value of the vessel amounting to AED 197,541 thousand 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 year ended 31 December 2021, the Group received the full amount of AED 82,350 thousand from the insurance provider (Refer 24).
- (d) During the year ended 31 December 2021, the Group have not recorded any provision for impairment on vessels (2020: AED 12,649 thousand). The provision for impairment was calculated by comparing the carrying value of vessels and its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

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

- Revenue of time charter vessels have been determined based on rates as per the contracts whereas revenue for vessels on spot charter have been determined based on expected future TCE rates;
- Vessel running cost have been determined using a mix of actual expense of prior year and budgeted expense for next year with normal inflationary impact;
- Other expenses such as dry docking has been estimated using the historical trend of such cost of the vessels and expected cost to be incurred in future;
- Residual value has been determined using the steel value at the end of useful life of vessel; and
- The net cash flows have been discounted using discount rate of 9.48% per annum (2020: 8.2% per annum).

*Sensitivity analysis*

As at 31 December 2021, if the discount rate used was 0.5% higher or lower, with all other variables held constant, there will be no impairment (2020: if the discount rate used was 0.5% higher, with all other variables held constant, there will be no impairment).

- (e) Depreciation expense has been allocated as follows:

|   | <i>2021</i>     | <i>2020</i>     |
|---|-----------------|-----------------|
|   | <i>AED '000</i> | <i>AED '000</i> |
| Operating costs (Note 19)                     | <b>38,987</b>   | 45,418          |
| General and administrative expenses (Note 20) | <b>672</b>      | 695             |
|   | <b>39,659</b>   | 46,113          |

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 6 LEASES

#### Group as a lessee

The Group has obtained office premises on lease. The remaining lease term of such office premises is less than one year (2020: two years). The Group's obligations are secured by the lessor's title to the leased assets for such leases.

#### Right-of-use asset

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

|                                   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>Office premises:</b>           |                               |                               |
| As at 1 January                   | 575                           | 2,825                         |
| Depreciation (Note 20)            | (383)                         | (730)                         |
| Impairment of rights-of-use asset | -                             | (230)                         |
| Adjustment                        | -                             | (1,290)                       |
|                                   | <u>192</u>                    | <u>575</u>                    |
| As at 31 December                 | <u>192</u>                    | <u>575</u>                    |

#### Lease liability

Set out below are the carrying amounts of lease liability and the movements during the year:

|                               | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| Amounts payable under leases: |                               |                               |
| Within one year               | 192                           | 486                           |
| Between two to five years     | -                             | 128                           |
|                               | <u>192</u>                    | <u>614</u>                    |
| Less: Current portion         | (192)                         | (486)                         |
|                               | <u>-</u>                      | <u>128</u>                    |
| Non-current portion           | <u>-</u>                      | <u>128</u>                    |

\* On 28 November 2017, the Group entered into a finance lease agreement to support the acquisition of vessels from Gulf Stolt Tanker (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 63,495 thousand on 29 June 2020. During the year ended 31 December 2020, the Group disposed of the Gulf Mirdif vessel [Note 5(b)] and utilised its proceeds to settle the finance lease liability.

The following are the amounts recognised in the statement of comprehensive income:

|  | <i>2021</i><br><i>USD</i> | <i>2020</i><br><i>USD</i> |
|--|---------------------------|---------------------------|
| Depreciation on right of use asset (Note 20)       | <u>383</u>                | <u>730</u>                |
| Interest on lease liability                        | <u>-</u>                  | <u>3,345</u>              |
| Rental expenses on short term and low value leases | <u>303</u>                | <u>342</u>                |

**6 LEASES (continued)****Group as a lessor**

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

|                                 | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|---------------------------------|-------------------------------|-------------------------------|
| Not later than one year         | <b>107,037</b>                | 108,208                       |
| Between one year and five years | <b>81,112</b>                 | 188,149                       |
|                                 | <b>188,149</b>                | 296,357                       |

**7 GOODWILL**

|                             | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-----------------------------|-------------------------------|-------------------------------|
| Carrying value of goodwill  | <b>219,912</b>                | 219,912                       |
| Accumulated impairment loss | <b>(76,449)</b>               | (76,449)                      |
|                             | <b>143,463</b>                | 143,463                       |

- (a) The goodwill of AED 135,999 thousand and AED 83,913 thousand that arose at the time of the initial public offer (IPO) and acquisition of livestock vessels in 2018 respectively have been allocated to the vessel owning and charter segment of the business.
- (b) Management reviews the business performance based on the type of business. Management has identified the vessel owning and chartering division, marine products sales and distribution division and agency division as its main type of businesses. Goodwill is monitored by management at the operating segment level.
- (c) The recoverable amount of all Cash Generating Units (CGUs) has been determined based on the higher of value-in-use or fair value less cost to sell. In order to determine the value-in-use, as mentioned in Note 7(d), its calculation uses pre-tax cash flow projections based on estimated charter rates using currently available market information and historical trends for vessels which are not on long term time charter. Cash flows beyond the signed charter party agreement are extrapolated using the estimated growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Discount rate of 9.48% per annum (2020: 8.2% per annum) have been used for the discounting the cash flows. Consequently, no impairment (2020: impairment of AED Nil thousand) has been recorded.
- (d) As at 31 December 2021, if the discount rate used was 0.5% higher or lower, with all other variables held constant, there will be impairment loss of AED 9,341 thousand on goodwill (2020: there will no impairment loss on goodwill).

**8 INVENTORIES**

|                           | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|---------------------------|-------------------------------|-------------------------------|
| Spare parts               | 5,153                         | 5,788                         |
| Vessel oil and lubricants | 3,007                         | 526                           |
| Others                    | 98                            | 129                           |
|                           | <u>8,258</u>                  | <u>6,443</u>                  |

(a) Inventory consumption for the year was AED 5,077 thousand (2020: AED 6,647 thousand).

**9 TRADE AND OTHER RECEIVABLES**

|  | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|--|-------------------------------|-------------------------------|
| Trade receivables [Note 9(b)]                                    | 13,545                        | 20,634                        |
| Less: allowance for expected credit losses (ECL)                 | (5,480)                       | (3,338)                       |
|  | <u>8,065</u>                  | 17,296                        |
| Receivable on dilution of investment in a subsidiary [Note 9(a)] | 14,640                        | 14,640                        |
| Advance to suppliers   | 1,055                         | 233                           |
| Prepayments  | 1,673                         | 2,042                         |
| Other receivables  | 5,532                         | 7,685                         |
|  | <u>30,965</u>                 | <u>41,896</u>                 |

(a) The Group is currently in discussions with the minority shareholder in terms of the latter's future involvement in the Group's subsidiary. A final agreement is expected to be agreed after the end of the reporting period. This receivable is still unsettled as both parties are evaluation post COVID potential cooperation and expect to reach a final settlement on within this year.

(b) The credit period on trade receivables ranges from 30 to 120 days (2020: 30 to 120 days) from invoice date. Before accepting any new customer, the Group assesses the potential customer's credit quality and assigns credit limits by customer. Credit limits and credit scoring attributed to customers are reviewed at regular intervals. Of the trade receivables balance at the end of the year AED 7,088 thousand (2020: AED 12,276 thousand) representing 52% (2020: 60%) of the total receivables is due from 4 customers (2020: 4 customers). There are no other customers who represent more than 5% of the total trade receivables at the reporting date.

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

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



**9 TRADE AND OTHER RECEIVABLES (continued)**

|                           | <i>Total</i><br><i>AED'000</i> | <i>Past due but not impaired</i>                |  |   |  |   |
|---------------------------|--------------------------------|---|--|---|--|---|
|                           |                                | <i>0 to 90</i><br><i>days</i><br><i>AED'000</i> | <i>91-120</i><br><i>days</i><br><i>AED'000</i> | <i>121-150</i><br><i>days</i><br><i>AED'000</i> | <i>151-1365</i><br><i>days</i><br><i>AED'000</i> | <i>&gt;365</i><br><i>days</i><br><i>AED'000</i> |
| <b>2021</b>               |                                |   |  |   |  |   |
| Expected credit loss rate | <b>40%</b>                     | <b>0%</b>                                       | <b>0%</b>                                      | <b>5%</b>                                       | <b>4%</b>  | <b>98%</b>                                      |
| Gross carrying amount     | <b>13,545</b>                  | <b>5,043</b>                                    | <b>1,860</b>                                   | <b>440</b>                                      | <b>672</b>                                       | <b>5,530</b>                                    |
| Impaired receivables      | <b>5,480</b>                   | -   | -  | <b>20</b>                                       | <b>24</b>  | <b>5,436</b>                                    |
| Net receivables           | <b>8,065</b>                   | <b>5,043</b>                                    | <b>1,860</b>                                   | <b>420</b>                                      | <b>648</b>                                       | <b>94</b>                                       |
| <b>2020</b>               |                                |   |  |   |  |   |
| Expected credit loss rate | 16%                            | 0%  | 0%   | 0%  | 0%   | 27%   |
| Gross carrying amount     | 20,634                         | 5,454   | 2,108  | 86  | 572  | 12,414  |
| Impaired receivables      | 3,338                          | -   | -  | -   | -  | 3,338   |
| Net receivables           | 17,296                         | 5,454   | 2,108  | 86  | 572  | 9,076   |

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

|                                       | <i>Collectively</i><br><i>Assessed</i><br><i>AED'000</i> | <i>Individually</i><br><i>assessed</i><br><i>AED'000</i> | <i>Total</i><br><i>AED'000</i> |
|---------------------------------------|--|--|--------------------------------|
| Balance as at 31 December 2019        | -  | 3,338  | 3,338                          |
| Net re-measurement of loss allowance  | -  | -  | -                              |
| Balance as at 31 December 2020        | -  | 3,338  | 3,338                          |
| Net re-measurement of loss allowance  | -  | 2,142  | 2,142                          |
| <b>Balance as at 31 December 2021</b> | <b>-</b>   | <b>5,480</b>   | <b>5,480</b>                   |

(d) Management recorded an allowance of AED 5,480 thousand against trade receivables as at 31 December 2021.

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 10 CASH AND CASH EQUIVALENTS

|                              | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|------------------------------|-------------------------------|-------------------------------|
| Cash on hand                 | 161                           | 124                           |
| Cash at banks                | 24,514                        | 21,767                        |
| Cash and bank balances       | 24,675                        | 21,891                        |
| Restricted cash [Note 10(a)] | (14,935)                      | (14,656)                      |
| Cash and cash equivalents    | <u>9,740</u>                  | <u>7,235</u>                  |

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

### 11 SHARE CAPITAL

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| <b>Authorised:</b>  |                               |                               |
| 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>              |
| <b>Issued and fully paid up:</b>                                |                               |                               |
| 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>              |

### 12 STATUTORY RESERVE

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

### 13 BORROWINGS

|                              | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|------------------------------|-------------------------------|-------------------------------|
| <b>Current</b>               |                               |                               |
| Term loan [Note 13(a)]       | 56,715                        | 270,441                       |
| Short term loan [Note 13(i)] | 831                           | 831                           |
|                              | <u>57,546</u>                 | <u>271,272</u>                |
| <b>Non-current</b>           |                               |                               |
| Term loan [Note 13(a)]       | <u>171,686</u>                | <u>54,539</u>                 |

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 13 BORROWINGS (continued)

(a) The movement of borrowings is summarised as below:

|   | <i>Term-loan I</i><br><i>AED'000</i> | <i>Term-loan II</i><br><i>AED'000</i> | <i>Term-loan III</i><br><i>AED'000</i> | <i>Term-loan IV</i><br><i>AED'000</i> | <i>Term-loan V</i><br><i>AED'000</i> | <i>Term-loan VI</i><br><i>AED'000</i> | <i>Total</i><br><i>AED'000</i> |
|---|--------------------------------------|---------------------------------------|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|
| 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                                   | 4,957                                | 329                                   | 5,850                          |
| Add: availed during the year                                    | -                                    | -                                     | -                                      | -                                     | -                                    | 52,155                                | 52,155                         |
| Less: repaid during the year                                    | -                                    | (34,035)                              | (15,965)                               | (46,320)                              | (48,633)                             | (3,564)                               | (148,517)                      |
| Less: discounting of a financial liability to its present value | -                                    | (2,222)                               | (1,042)                                | -                                     | -                                    | -                                     | (3,264)                        |
| Add: amortisation of discounted value                           | -                                    | 339                                   | 159                                    | -                                     | -                                    | -                                     | 498                            |
| <b>Balance at 31 December 2021</b>                              | <b>-</b>                             | <b>22,109</b>                         | <b>10,563</b>                          | <b>-</b>                              | <b>148,760</b>                       | <b>46,969</b>                         | <b>228,401</b>                 |
| Less: current portion   | -                                    | (4,748)                               | (2,227)                                | -                                     | (40,441)                             | (9,299)                               | (56,715)                       |
| <b>Non-current portion</b>                                      | <b>-</b>                             | <b>17,361</b>                         | <b>8,336</b>                           | <b>-</b>                              | <b>108,319</b>                       | <b>37,670</b>                         | <b>171,686</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                                     | -                                    | 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                         |

**13 BORROWINGS (continued)**

**(b) Term loan I**

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

**(c) Term loan II**

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at EIBOR plus margin and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. During the year ended 31 December 2021, the Group successfully refinanced this loan along with Term Loan III. The restructured loan has been presented as term loan VI.

**(d) Term loan III**

Term loan of AED 30,000 thousand was availed by the Group to support acquisition and conversion of an oil stimulation vessel. This loan carries interest at EIBOR plus margin and is payable in 27 equal quarterly instalments commencing from 7 December 2018 with final payment on 7 September 2025. During the year ended 31 December 2021, the Group successfully refinanced this loan along with Term Loan II. The restructured loan has been presented as term loan VI.

**(e) 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 included 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, once all the payments are made as per the settlement agreement, the Group will derecognise the liability of AED 20,385 thousand (AED 9,439 thousand towards principal and AED 10,946 towards accrued interest).

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.

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 the restructured liability 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.

**13 BORROWINGS (continued)****(f) 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 24).

**(g) 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.

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 456,394 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 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.

**13 BORROWINGS (continued)****(h) 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 year ended 31 December 2021, the Group repaid an amount of AED 3,564 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 113,521 thousand.

**(i) Short term loans**

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

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

|                                     | <b>2021</b>    | <b>2020</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>AED’000</b> | <b>AED’000</b> |
| Balance at 1 January                | <b>79,546</b>  | -              |
| Issued during the year              | -              | 87,572         |
| Amortisation of the arrangement fee | <b>1,839</b>   | 1,169          |
| Arrangement fee paid                | -              | (9,195)        |
|                                     | <hr/>          | <hr/>          |
| Balance at 31 December              | <b>81,385</b>  | 79,546         |
|                                     | <hr/> <hr/>    | <hr/> <hr/>    |

**15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

|                               | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| Balance at 1 January          | <b>1,348</b>                  | 1,812                         |
| Charge for the year (Note 21) | <b>128</b>                    | 230                           |
| Payments during the year      | <b>(299)</b>                  | (694)                         |
| Balance at 31 December        | <b>1,177</b>                  | 1,348                         |

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

**16 TRADE AND OTHER PAYABLES**

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
|---|-------------------------------|--|
| <b>Non-current</b>  |                               |  |
| Interest payable on borrowings [Note 13(e)]                     | <b>10,946</b>                 | -  |
| <b>Current</b>  |                               |  |
| Trade payables  | <b>25,245</b>                 | 27,601   |
| Consideration payable on acquisition of a business [Note 16(b)] | <b>20,000</b>                 | 20,000   |
| Interest payable on borrowings [Note 13(e)]                     | <b>18,031</b>                 | 14,587   |
| Advance from customers  | <b>12,849</b>                 | 12,332   |
| Dividend payable  | <b>10,544</b>                 | 10,554   |
| Tax accrual [Note 25(a)]  | <b>2,673</b>                  | 7,667  |
| Dry-docking related accruals                                    | -                             | 1,171  |
| Provisions and other payables                                   | <b>33,854</b>                 | 26,327   |
|   | <b>123,196</b>                | 120,239  |
|   | <b>134,142</b>                | 120,239  |

- (a) The Group was able to derecognise liabilities totalling AED 27,046 thousand (2020: AED 1,926 thousand) during the year ended 31 December 2021 which is included within 'Liabilities no longer required written back' in profit or loss (refer to Note 25).
- (b) During 2018, the Group obtained control of Gulf Navigation Livestock Carrier Ltd. Inc, a wholly owned subsidiary of Aksab Investments LLC, which is registered in the Republic of Panama, for a purchase consideration of AED 420,000 thousand. Out of AED 420,000 thousand, an amount of AED 20,000 thousand was payable on 31 December 2021 and 31 December 2020.

**17 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.

**17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| Finance cost – loans from related parties (Note 27) | <u>100</u>                    | <u>1,144</u>                  |

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

|                               | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| <i>Joint Venture</i>          |                               |                               |
| Gulf Stolt Tankers DMCCO, UAE | <u>-</u>                      | <u>144</u>                    |

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

- (d) Loan from related parties

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</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 2021, shareholder loan to the extent of AED 6,000 thousand (2020: AED 40,409 thousand) has been settled. The outstanding balance as of 31 December 2021 is interest free.

- (e) Key management remuneration

|                             | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-----------------------------|-------------------------------|-------------------------------|
| Salaries and other benefits | <u>1,215</u>                  | <u>1,710</u>                  |
| End of service benefits     | <u>34</u>                     | <u>39</u>                     |

The key management remuneration excludes expenses reimbursed amounting to AED nil (2020: AED 12 thousand).

- (f) The Directors of the Group have not charged any fees to the Group during the year ended 31 December 2021 and 2020.



# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 18 OPERATING REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major streams of revenue. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (Note 4).

|  | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
|--|-------------------------------|--|
| <i>Over a period of time</i>           |                               |  |
| Vessel chartering                      | <b>115,881</b>                | 136,551  |
| Shipping and technical services        | <b>5,657</b>                  | 5,529  |
| <i>At a point in time</i>              |                               |  |
| Marine products sales and distribution | <b>20</b>                     | 84   |
| Other operating income                 | <b>422</b>                    | 477  |
|  | <b>121,980</b>                | 142,641  |

### 19 OPERATING COSTS

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
|---|-------------------------------|--|
| <i>Vessel chartering:</i>   |                               |  |
| Ship running - vessels  | <b>49,791</b>                 | 85,880   |
| Depreciation of vessels (excluding crew boats) and dry docking cost [Note 5(e)] | <b>38,987</b>                 | 45,418   |
| Ship running - crew boats   | <b>3,968</b>                  | 3,326  |
| Ship repair   | <b>2,090</b>                  | 5,053  |
| <i>Shipping services:</i>   |                               |  |
| Operating costs   | <b>3,181</b>                  | 3,434  |
| Marine products sales and distribution  | <b>5</b>                      | 34   |
| Technical services  | <b>-</b>                      | 16   |
|   | <b>98,022</b>                 | 143,161  |

### 20 GENERAL AND ADMINISTRATIVE EXPENSES

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|---|-------------------------------|-------------------------------|
| Staff costs (Note 21)                                       | <b>7,853</b>                  | 8,905                         |
| Provision for claims [Note 20(a)]                           | <b>1,507</b>                  | -                             |
| Consultancy fee   | <b>1,576</b>                  | -                             |
| Professional fees   | <b>1,563</b>                  | 1,915                         |
| Provision for expected credit losses                        | <b>2,142</b>                  | -                             |
| Depreciation of vessels, property and equipment [Note 5(e)] | <b>672</b>                    | 695                           |
| Depreciation of rights-of-use assets (Note 6)               | <b>383</b>                    | 730                           |
| Foreign exchange loss                                       | <b>69</b>                     | 332                           |
| Commission on disposal of a vessel                          | <b>-</b>                      | 1,872                         |
| Others  | <b>2,902</b>                  | 3,497                         |
|   | <b>18,667</b>                 | 17,946                        |

**20 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 1,507 thousand has been recognised in the current period to bear such costs.
- (b) The Group did not make any social contributions during the year ended 31 December 2021 (2020: Nil).

**21 STAFF COSTS**

|  | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|--|-------------------------------|-------------------------------|
| Salaries and wages                           | 7,202                         | 7,680                         |
| Employees' end of service benefits (Note 15) | 128                           | 230                           |
| Other benefits                               | 523                           | 995                           |
|  | <u>7,853</u>                  | <u>8,905</u>                  |

**22 EARNINGS PER SHARE**

|  | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
|--|-------------------------------|--|
| Profit / (loss) for the year attributable to the Owners of the Company (AED'000) | <u>60,750</u>                 | <u>(284,464)</u>                                   |
| Number of shares (Note 11)   | <u>1,019,209,250</u>          | <u>1,019,209,250</u>                               |
| Basic and diluted earnings / (loss) per share                                    | <u>AED 0.060</u>              | <u>AED (0.279)</u>                                 |

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

**23 FINANCE COSTS**

|                                       | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|---------------------------------------|-------------------------------|-------------------------------|
| Finance cost on:                      |                               |                               |
| - Term loans                          | 27,434                        | 35,440                        |
| - Islamic non-convertible sukuk       | 12,518                        | 7,877                         |
| - Murabaha financing facility         | -                             | 298                           |
| - Loan from shareholders [Note 17(b)] | 100                           | 1,144                         |
| Other charges                         | 366                           | 1,863                         |
|                                       | <u>40,418</u>                 | <u>46,622</u>                 |

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 24 INCOME FROM INSURANCE CLAIM

|                             | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-----------------------------|-------------------------------|-------------------------------|
| Income from insurance claim | <b>85,759</b>                 | -                             |

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 13(f)]. As of 31 December 2020, the group reversed the income from insurance claim of AED 197,541 thousand presented in the 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 vessels (Gulf Livestock 1) of the group suffered damage to main engine due to overheating 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 year ended 31 December 2021, 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 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.

### 25 LIABILITIES NO LONGER REQUIRED WRITTEN BACK

|                              | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|------------------------------|-------------------------------|-------------------------------|
| Tax liabilities [Note 25(a)] | <b>6,181</b>                  | -                             |
| Other                        | <b>480</b>                    | 1,926                         |
|                              | <b>6,661</b>                  | 1,926                         |

- (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 derecognise liabilities of AED 6,181 thousand which are included within 'Liabilities no longer required written back' in consolidated statement of comprehensive income.

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 26 FINANCIAL INSTRUMENTS

#### a) *Categories of financial instruments*

|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
|---|-------------------------------|--|
| <b>Financial assets</b>   |                               |  |
| <i>At amortised cost</i>  |                               |  |
| Trade and other receivables (excluding advance to suppliers and prepayments) (Note 9) | <b>28,237</b>                 | 39,621   |
| Cash and bank balances (Note 10)  | <b>24,675</b>                 | 21,891   |
|   | <b>52,912</b>                 | 61,512   |
|   | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i><br><i>(Restated)</i> |
| <b>Financial liabilities</b>  |                               |  |
| <i>At amortised cost</i>  |                               |  |
| Trade and other payables (excluding advance from customers) (Note 16)                 | <b>121,293</b>                | 107,907  |
| Borrowings (Note 13)  | <b>229,232</b>                | 325,811  |
| Loan from related parties (Note 17)   | <b>10,838</b>                 | 16,838   |
| Due to a related party (Note 17)  | -                             | 144  |
| Lease liability (Note 6)  | <b>192</b>                    | 614  |
| Islamic non-convertible sukuk (Note 14)   | <b>81,385</b>                 | 79,546   |
|   | <b>442,940</b>                | 530,860  |

#### b) *Fair value of financial instruments*

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

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

### 27 COMMITMENTS

#### *Capital expenditure commitment*

The capital expenditure commitment of Group amounted to AED nil (2020: AED 1,171 thousand).

### 28 GUARANTEES

|                 | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|-----------------|-------------------------------|-------------------------------|
| Bank guarantees | <b>105</b>                    | 105                           |

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

## 29 CONTINGENCIES

At 31 December 2021, the Group had no contingencies (2020: Nil).

## 30 FINANCIAL RISK MANAGEMENT

### 30.1. Financial risk factors

#### Overview

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

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

#### Market risk

##### *Foreign exchange risk*

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

##### *Price risk*

The Group is not exposed to any significant price risk.

##### *Fair value profit rate risk*

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

##### *Cash flow profit rate risk*

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

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

Had the bank borrowing profit rate shifted by 50 basis points (in the case of floating profit rates) and all other variables remained unchanged, the net (loss)/profit and equity of the Group would have changed by AED 1,351 thousand for the year ended 31 December 2021 (2020: AED 2,027 thousand) accordingly.

At 31 December 2021

**30 FINANCIAL RISK MANAGEMENT (continued)****30.1 Financial risk factors (continued)****Credit risk**

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

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

|                         | <i>Rating (Moody's)</i> |                |                |                |
|-------------------------|-------------------------|----------------|----------------|----------------|
|                         | <i>2021</i>             | <i>2020</i>    | <i>2021</i>    | <i>2020</i>    |
|                         | <i>AED'000</i>          | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| <i>Counterparty</i>     |                         |                |                |                |
| <i>Banks</i>            |                         |                |                |                |
| A                       | <b>Aa1</b>              | Aa1            | <b>13,183</b>  | 6,715          |
| B                       | <b>Aa3</b>              | Aa3            | <b>10,543</b>  | 10,554         |
| C                       | <b>A2</b>               | A2             | <b>577</b>     | 387            |
| D                       | <b>A1</b>               | A1             | <b>3</b>       | 2,603          |
| E                       | <b>A2</b>               | A2             | <b>148</b>     | 82             |
| F                       | <b>Baa1</b>             | Baa1           | -              | 27             |
| G                       | <b>A1</b>               | A1             | <b>14</b>      | 14             |
| H                       | <b>Aa3</b>              | Aa3            | <b>4</b>       | 1,342          |
| I                       | <b>Baa1</b>             | Baa1           | <b>42</b>      | 43             |
| Cash at banks (Note 10) |                         |                | <b>24,514</b>  | 21,767         |

The credit risk related to trade and other receivables is disclosed in Note 9.

**Liquidity risk**

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

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

|  | <i>Carrying amount</i> | <i>Contractual cash flows</i> | <i>Less than 1 year</i> | <i>One to five years</i> |
|--|------------------------|-------------------------------|-------------------------|--------------------------|
|  | <i>AED'000</i>         | <i>AED'000</i>                | <i>AED'000</i>          | <i>AED'000</i>           |
| <b>At 31 December 2021</b>   |                        |                               |                         |                          |
| Trade and other payables (excluding advance from customers and dividend payable) | <b>110,749</b>         | <b>110,749</b>                | <b>99,803</b>           | <b>10,946</b>            |
| Due to a related party (Note 17)   | -                      | -                             | -                       | -                        |
| Borrowings (Note 13)   | <b>229,232</b>         | <b>255,050</b>                | <b>77,380</b>           | <b>177,670</b>           |
| Lease liability (Note 6)   | <b>192</b>             | <b>192</b>                    | <b>192</b>              | -                        |
| Islamic non-convertible sukuk (Note 14)  | <b>81,385</b>          | <b>140,114</b>                | <b>20,380</b>           | <b>119,734</b>           |
| Loan from related parties (Note 17)  | <b>10,838</b>          | <b>10,838</b>                 | <b>10,838</b>           | -                        |
|  | <b>432,396</b>         | <b>516,943</b>                | <b>208,593</b>          | <b>308,350</b>           |

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 30 FINANCIAL RISK MANAGEMENT (continued)

#### 30.1 Financial risk factors (continued)

##### Liquidity risk (continued)

|  | <i>Carrying<br/>amount<br/>AED'000</i> | <i>Contractual<br/>cash flows<br/>AED'000</i> | <i>Less than<br/>1 year<br/>AED'000</i> | <i>One to<br/>five years<br/>AED'000</i> |
|--|--|---|---|--|
| At 31 December 2020 (restated)   |  |   |   |  |
| Trade and other payables<br>(excluding advance from<br>customers and dividend payable) | 97,353                                 | 97,353  | 97,353                                  | -  |
| Due to a related party (Note 17)   | 144                                    | 144   | 144                                     | -  |
| Borrowings (Note 13)   | 325,811                                | 390,404                                       | 141,189                                 | 249,215                                  |
| Lease liability (Note 6)   | 614                                    | 614   | 486                                     | 128                                      |
| Islamic non-convertible sukuk (Note 14)  | 79,545                                 | 140,115                                       | 15,763                                  | 124,352                                  |
| Loan from related parties (Note 17)  | 16,838                                 | 16,838  | 16,838                                  | -  |
|  | <u>520,305</u>                         | <u>645,468</u>                                | <u>271,773</u>                          | <u>373,695</u>                           |

The future finance cost in respect of bank borrowings amounts to AED 20,529 thousand (2020: AED 59,521 thousand). The payment profile of this finance cost is as follows:

|                                 | <i>2021<br/>AED'000</i> | <i>2020<br/>AED'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Not later than one year         | <b>16,418</b>           | 22,391                  |
| Between one year and five years | <b>4,111</b>            | 37,130                  |
|                                 | <u><b>20,529</b></u>    | <u>59,521</u>           |

### 31 CAPITAL RISK MANAGEMENT

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

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

|  | <i>2021<br/>AED'000</i> | <i>2020<br/>AED'000</i> |
|--|-------------------------|-------------------------|
| Total borrowings (Note 6, 13, 14 and 17) | <b>321,647</b>          | 422,809                 |
| Cash and cash equivalents (Note 10)      | <b>(9,740)</b>          | (7,235)                 |
| Net debt                                 | <u><b>311,907</b></u>   | <u>415,574</u>          |
| Total equity                             | <b>377,471</b>          | 323,484                 |
| Total capital                            | <u><b>689,378</b></u>   | <u>739,058</u>          |
|  | <u><b>45.24%</b></u>    | <u>56.23%</u>           |

# Gulf Navigation Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 32 NON-CONTROLLING INTERESTS

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

|  | <i>2021</i><br><i>AED'000</i> | <i>2020</i><br><i>AED'000</i> |
|--|-------------------------------|-------------------------------|
| Non-current assets   | 5,555                         | 6,024                         |
| Current assets   | 28,320                        | 33,768                        |
| Current liabilities  | (8,023)                       | (10,824)                      |
| Non-current liabilities  | (482)                         | (528)                         |
|  | <u>25,370</u>                 | <u>28,440</u>                 |
| Net Assets   | 25,370                        | 28,440                        |
| Equity attributable to the owner of the Company                    | 15,222                        | 17,064                        |
| Equity attributable to non-controlling interest                    | 10,148                        | 11,376                        |
|  | <u>12,162</u>                 | <u>11,128</u>                 |
| Revenue  | 12,162                        | 11,128                        |
| Total expenses   | (15,232)                      | (11,485)                      |
|  | <u>(3,070)</u>                | <u>(357)</u>                  |
| Net loss and total comprehensive income for the year               | (3,070)                       | (357)                         |
| Total comprehensive loss attributable to the owners of the Company | (1,842)                       | (214)                         |
| Total comprehensive loss attributable to non-controlling interest  | (1,228)                       | (143)                         |
|  | <u>283</u>                    | <u>9</u>                      |
| Net cash generated from operating activities                       | 283                           | 9                             |
| Net cash used in investing activities                              | -                             | -                             |
| Net cash used in financing activities                              | -                             | -                             |

### 33 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.

#### *Consolidated statement of comprehensive income for the period ended 31 December 2020:*

|                         | <i>As previously<br/>reported<br/>AED'000</i> | <i>Adjustments<br/>AED'000</i> | <i>As restated<br/>AED'000</i> |
|-------------------------|---|--------------------------------|--------------------------------|
| Operating revenue (i)   | 146,329                                       | (3,688)                        | 142,641                        |
| Operating cost (ii)     | (141,314)                                     | (1,847)                        | (143,161)                      |
| Loss for the period (i) | (279,072)                                     | (5,535)                        | (284,607)                      |



**33 RESTATEMENT OF COMPARATIVE BALANCES (continued)***Consolidated statement of financial position for the year ended 31 December 2020:*

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

**34 SUBSEQUENT EVENTS**

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. Subsequent to the year ended 31 December 2021, the evaluation has been already completed and the report presented to the Board of Directors. Consequently, a General Assembly Meeting was held on 31 January 2022, and it was resolved to approve the issuance of Mandatory Convertible Bonds for a value up to AED 150,000,000 (One hundred and fifty million UAE Dirhams) (“New Bonds”) by way of a private placement. It was also resolved to approve the increase of the share capital of the Company by AED 450,000,000 distributed among 450,000,000 shares for the purposes of converting the New Bonds into shares in the Company.

Subsequent to the year ended 31 December 2021, the Group secured a working capital loan from a third party for an amount of USD 2.75 million (equivalent AED 10.07 million). The loan carries an interest of 12% p.a. and is repayable after one year.