

Gulf Navigation Holding PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2021

Gulf Navigation Holding PJSC

Table of Contents	Pages
Report on review of interim condensed consolidated financial statements	1 – 2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 – 26

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Navigation Holding PJSC (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 March 2021, comprising of the interim consolidated statement of financial position as at 31 March 2021 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the interim condensed consolidated financial statements, concerning the Group’s ability to continue as a going concern. The Group, excluding the income from insurance claim of AED 82,937 thousand, incurred a loss of AED 3,468 thousand during the three-month period ended 31 March 2021 (three-month period ended 31 March 2020: AED 18,092 thousand) and, as of that date, the Group’s current liabilities exceeded its current assets by AED 252,948 thousand (31 December 2020: AED 333,214 thousand).

While the Board of Directors are considering all options to reinforce the capital structure of the Group and are in active discussions with its lenders, the timing and realisation of a number of key assumptions within the forecasts are not within management’s control and require the successful negotiations with the Group’s lenders.

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

Our conclusion is not modified in respect of this matter.

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

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 31 March 2021.

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2020 were reviewed by another auditor who expressed an unmodified conclusion on that information on 11 August 2020.

For Ernst & Young



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

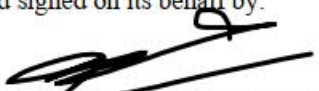
15 May 2021

Dubai, United Arab Emirates

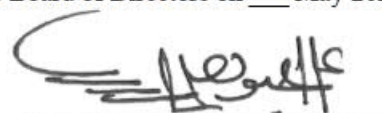
**Interim condensed consolidated statement of financial position
as at 31 March 2021**

	Notes	31 March 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
ASSETS			
Non-current assets			
Vessels, property and equipment	5	644,635	648,221
Rights-of-use assets		460	575
Goodwill	6	143,463	143,463
Total non-current assets		788,558	792,259
Current assets			
Inventories		6,687	6,443
Trade and other receivables	7	61,764	41,896
Cash and bank balances		16,151	21,891
Total current assets		84,602	70,230
Total assets		873,160	862,489
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,019,209	1,019,209
Statutory reserve		19,747	19,747
Accumulated losses		(643,992)	(724,124)
Other reserves	17	(2,724)	(2,724)
Equity attributable to owners of the Company		392,240	312,108
Non-controlling interests		10,713	11,376
Total equity		402,953	323,484
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		1,354	1,348
Lease liabilities	9	-	128
Borrowings	10	51,298	54,539
Islamic non-convertible sukuk	19	80,005	79,546
Total non-current liabilities		132,657	135,561
Current liabilities			
Trade and other payables	8	108,068	114,704
Lease liabilities	9	460	486
Borrowings	10	217,040	271,272
Loan from related parties	11	11,838	16,838
Due to a related party	11	144	144
Total current liabilities		337,550	403,444
Total liabilities		470,207	539,005
Total equity and liabilities		873,160	862,489

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


Dr. Abdul Rahman Al Afeefi
Director


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


Ali Abouda
Chief Financial Officer

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of comprehensive income
for the three-month period ended 31 March 2021**

	Notes	Three month period ended 31 March	
		2021	2020
		AED'000	AED'000
		(Unaudited)	(Unaudited)
Operating revenue	12	31,073	33,514
Operating costs	13	(24,982)	(36,224)
Gross profit/(loss)		6,091	(2,710)
Other income		782	206
Income from insurance claim	7(b)	82,937	-
General and administrative expenses	14	(5,358)	(3,851)
Liabilities no longer required written back	8b	6,181	-
Operating profit/(loss) for the period		90,633	(6,355)
Finance costs	16	(10,706)	(11,279)
Profit/(Loss) before income tax		79,927	(17,634)
Income tax		(458)	(458)
Profit/(Loss) for the period		79,469	(18,092)
Other comprehensive income		-	-
Total comprehensive income /(loss) for the period		79,469	(18,092)
Attributable to:			
Owners of the Company		80,132	(17,926)
Non-controlling interests		(663)	(166)
		79,469	(18,092)
Profit/(Loss) per share attributable to owners of the Company			
Basic and diluted (AED)	18	0.0786	(0.0176)

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of changes in equity
for the three-month period ended 31 March 2021**

	Attributable to Owners of the Company					Non- controlling interests AED'000	Total AED'000
	Share capital AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000		
Balance at 1 January 2020 (audited)	1,019,209	19,747	(445,195)	(2,724)	591,037	11,519	602,556
Total comprehensive loss for the period (unaudited)	-	-	(17,926)	-	(17,926)	(166)	(18,092)
Balance at 31 March 2020 (unaudited)	<u>1,019,209</u>	<u>19,747</u>	<u>(463,121)</u>	<u>(2,724)</u>	<u>573,111</u>	<u>11,353</u>	<u>584,464</u>
Balance at 1 January 2021 (audited)	1,019,209	19,747	(724,124)	(2,724)	312,108	11,376	323,484
Total comprehensive income/(loss) for the period (unaudited)	-	-	80,132	-	80,132	(663)	79,469
Balance at 31 March 2021 (unaudited)	<u>1,019,209</u>	<u>19,747</u>	<u>(643,992)</u>	<u>(2,724)</u>	<u>392,240</u>	<u>10,713</u>	<u>402,953</u>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of cash flows
for the three-month period ended 31 March 2021**

	Notes	<i>Three-month period ended</i>	
		31 March 2021 AED'000 (Unaudited)	31 March 2020 AED'000 (Unaudited)
Cash flows from operating activities			
Profit/(Loss) for the period before tax		79,927	(17,634)
Adjustments for:			
Depreciation of vessels, plant and equipment	5	9,459	14,304
Depreciation of right-of-use assets		115	269
Provision for employees' end of service benefits		22	31
Liabilities no longer required written back		(6,181)	-
Finance costs	16	10,706	11,279
Operating cash flows before working capital changes		94,048	8,249
Changes in working capital:			
Inventories		(244)	(782)
Trade and other receivables		(19,868)	(2,347)
Related parties		(1,406)	-
Trade and other payables		(8,790)	(7,031)
Cash flows from operations		63,740	(1,911)
Employees' end of service benefits paid		(16)	(170)
Net cash from / (used in) by operating activities		63,724	(2,081)
Cash flows from investing activity			
Purchase of vessels, property and equipment	5	(5,874)	-
Net cash used in investing activity		(5,874)	-
Cash flows from financing activities			
Payment of lease liabilities		(154)	(50)
Repayment of borrowings	10	(58,155)	(3,528)
Increase in loan from related parties		-	8,541
Repayment of loan from related parties		(5,000)	-
Finance cost paid		(281)	(1,081)
Restricted cash		446	(2,769)
Net cash (used in)/ from financing activities		(63,144)	1,113
Net decrease in cash and cash equivalents		(5,294)	(968)
Cash and cash equivalents at beginning of the period		7,235	16,921
Cash and cash equivalents at end of the period		1,941	15,953
Restricted cash		14,210	14,248
Total cash and bank balances		16,151	30,201

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021**

1. Legal status and activities

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

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest 31 Mar 2021</i>	<i>31 Dec 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	Unlimited	Cayman Islands	100	100
Gulf Maritime Ship Management LLC	Ship Management and Operations	UAE	100	100
Gulf Ship Management Co LLC	Ship Management and Operations, etc	UAE	100	100

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

1. Legal status and activities (continued)

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>31 Mar 2021</i>	<i>31 Dec 2020</i>
Gulf Navigation Mishref Limited	Ship Charter	Liberia	100	100
Gulf Navigation Mirdif Limited	Ship Charter	Liberia	100	100
Gulf Navigation Ship Owning LLC	Ship Charter, etc	UAE	100	100
Gulf Navigation Livestock Carriers Ltd., Inc.	Ship Owning	Panama	100	100
Gulf Navigation Livestock Carriers 1 Ltd., Inc.	Ship Owning	Panama	100	100
Gulf Navigation Livestock Carriers 2 Ltd., Inc.	Ship Owning	Panama	100	100
Kabedah S.A.	Ship Owning	Panama	100	100
Durango Shipping Ltd.	Ship Owning	Marshall Islands	100	100

The Group has the following branches:

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

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

<i>Jointly controlled entity</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>	
			<i>31 Mar 2021</i>	<i>31 Dec 2020</i>
Gulf Stolt Tankers DMCCO (“GST”) (under liquidation)	Ship Charter	UAE	50	50

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)****2. Basis of preparation and accounting policies****Basis of preparation**

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2021 have been prepared in accordance with IAS 34 “*Interim Financial Reporting*” and the applicable requirements of the laws in the U.A.E. This interim condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with Group’s annual consolidated financial statements as at 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

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

Basis of consolidation

The interim condensed consolidated financial statements at and for the three-month period ended 31 March 2021, comprises results of the Company and its subsidiaries. The interim condensed consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

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

Going concern

As of 31 March 2021, the Group’s current liabilities exceeded its current assets by AED 252,948 thousand (2020: AED 333,214 thousand) and the Group has accumulated losses amounting to AED 643,992 thousand (2020: AED 724,124 thousand). The Group has made profit of AED 79,469 thousand (2020: loss AED 18,092 thousand) for the three-month period. However, the Group has breached its financial covenants with its lenders for term loan V thereby rendering this loan to be technically payable on demand [as disclosed in Note 10(e)]. Moreover, the Group has been unable to pay its outstanding debts [as disclosed in Note 10(b) and 10(c)].

As at 31 March 2021, the Group’s accumulated losses exceed 50% of its issued share capital and as such in accordance with Article 302 of the UAE Federal Law No (2) of 2015, the Company 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.

The Board of Directors are considering all options to reinforce the capital structure of the Group and are in active discussions with its lenders. In this context, the Group has finalised the restructuring of term loan V with changes in the covenants for term loan V subsequent to the reporting date. For term loan II and III, discussions are also being held with the Group’s bankers to extend the payment obligations of the existing facilities with the aim of establishing an appropriate long-term capital structure for the business [Note 10(b) and 10(c)].

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)****2. Basis of preparation and accounting policies (continued)****Going concern (continued)**

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

The cash flow forecast is based on following key assumptions:

- The Group will be able to reschedule term loan V at a lower interest rate and will be able to conclude the restructuring of term loan II and III;
- One vessel of the Group will be sold, in accordance with the cash flow forecast; and
- One of the shareholder will provide up to AED 18,350 thousand to fund the working capital of the Group in June 2021.

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

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

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements is consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021 which are as follows. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

The amendments include the following practical expedients:

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

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

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)****2. Basis of preparation and accounting policies (continued)****Functional and presentation currency**

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

Significant accounting policies

The Group has consistently applied the accounting policies and methods of computation used in the preparation of the last published annual consolidated financial statements for the year ended 31 December 2020.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements at and for the year ended 31 December 2020.

3. Critical accounting estimates and judgements

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2020 except as given below.

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

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

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)****4. Operating segments****Business segments**

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

The Group comprises the following main business segments:

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

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

Geographical segments

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

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

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

4. Operating segments (continued)

For the three-month period ended 31 March 2021 (Unaudited)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	29,642	285	16	1,415	-	(285)	31,073
Operating costs	(24,490)	-	(5)	(772)	-	285	(24,982)
Other income	753	-	29	-	192	(192)	782
Income from insurance claim	82,937	-	-	-	-	-	82,937
General and administrative expenses	(150)	(617)	(32)	(3,010)	(1,741)	192	(5,358)
Liabilities no longer required written back	-	-	-	-	6,181	-	6,181
Finance costs	(7,609)	-	-	-	(3,097)	-	(10,706)
Income tax	-	-	-	-	(458)	-	(458)
Reportable segment profit /(loss)	81,083	(332)	8	(2,367)	1,077	-	79,469
<i>At 31 March 2021 (unaudited)</i>							
Reportable segment assets	920,776	22,953	3,234	11,811	1,560,826	(1,646,440)	873,160
Reportable segment liabilities	(806,750)	(26,461)	(3,956)	(5,445)	(820,375)	1,192,780	(470,207)

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

4. Operating segments (continued)

For the year ended 31 December 2020 (audited)

	Vessel owning and chartering AED'000	Ship management AED'000	Marine product sales and distribution AED'000	Shipping and technical services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
Operating revenue	31,979	991	17	1,518	-	(991)	33,514
Operating costs	(36,240)	-	(3)	(972)	-	991	(36,224)
Other income	164	-	35	6	260	(259)	206
General and administrative expenses	(101)	(1,044)	(59)	(1,056)	(1,850)	259	(3,851)
Finance costs	(10,325)	-	-	(13)	(941)	-	(11,279)
Income tax	-	-	-	-	(458)	-	(458)
Reportable segment loss	<u>(14,523)</u>	<u>(53)</u>	<u>(10)</u>	<u>(517)</u>	<u>(2,989)</u>	<u>-</u>	<u>(18,092)</u>

At 31 December 2020 (audited)

Reportable segment assets	<u>853,853</u>	<u>22,942</u>	<u>3,175</u>	<u>19,471</u>	<u>1,536,456</u>	<u>(1,573,408)</u>	<u>862,489</u>
Reportable segment liabilities	<u>(868,855)</u>	<u>(26,118)</u>	<u>(3,906)</u>	<u>(11,439)</u>	<u>(731,116)</u>	<u>1,102,429</u>	<u>(539,005)</u>

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

5. Vessels, property and equipment

- (a) During the period, the Group spent AED 5,874 thousand on vessels, property and equipment (31 March 2020: nil). Depreciation recorded for the period amounts to AED 9,459 thousand (31 March 2020: AED 14,304 thousand).
- (b) Vessels with a net carrying value of AED 606,757 thousand (31 December 2020: AED 609,776 thousand) are mortgaged as security for bank borrowings [Note 10(a), Note 10(b), Note 10(c), Note 10(d) and Note 10(e)].
- (c) Management had performed a detailed impairment assessment as at 31 December 2020. Based on its assessment, the Group had recorded an impairment on vessels amounting to AED 12,649 thousand during the year ended 31 December 2020. The provision for impairment was calculated by comparing the carrying value of vessels and its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

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

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

6. Goodwill

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

- (a) The goodwill of AED 135,999 thousand and AED 83,913 thousand that arose at the time of the initial public offer (IPO) and acquisition of livestock vessels in 2018 respectively have been allocated to the vessel owning and charter segment of the business.
- (b) Management reviews the business performance based on the type of business. Management has identified the vessel owning and chartering division, marine products sales and distribution division and agency division as its main type of businesses. Goodwill is monitored by management at the operating segment level.

Sensitivity analysis

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

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

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

7. Trade and other receivables

	31 March 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Trade receivables	13,766	20,634
Less: loss allowance	(4,101)	(3,338)
	9,665	17,296
Receivable on dilution of investment in a subsidiary [Note 7(a)]	14,640	14,640
Advances to suppliers	134	233
Prepayments	1,424	2,042
Receivable from insurance claim [Note 7(b)]	28,823	-
Other receivables	7,078	7,685
	61,764	41,896

- (a) In 2017, the Group sold 40% of the Group's shareholding in Gulf Navigation Polimar Maritime LLC (previously known as Gulf Navigation Maritime LLC) (a subsidiary) effective from 1 January 2017 in exchange for cash and in-kind consideration totalling to AED 18,666 thousand. In accordance with *IFRS 10: Consolidated Financial Statements*, the net gain of AED 3,245 thousand on the sale of the interest in Gulf Navigation Polimar Maritime LLC was credited in equity. As of 31 March 2021, the Group has received AED 4,026 thousand out of the total sales consideration of AED 18,666 thousand and the residual balance of AED 14,640 thousand is outstanding.

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

- (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 AED 53,527 thousand from the insurance provider and the balance of AED 28,823 thousand is classified as receivable as at 31 March 2021.

The amount disclosed as "Income from insurance claim" in the interim condensed consolidated statement of comprehensive income includes the above claim of AED 82,350 thousand and other miscellaneous insurance claims of AED 587 thousand.

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

8. Trade and other payables

	31 March 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Trade payables	21,691	27,601
Dividend payable	10,551	10,554
Advance from customers	12,026	12,332
Consideration payable on acquisition of a business [Note 8(a)]	20,000	20,000
Interest payable on borrowings	17,629	14,587
Tax accrual [Note 8(b)]	1,456	7,667
Dry-docking related accruals	1,171	1,171
Provisions and other payables	23,544	20,792
	108,068	114,704

- (a) During 2018, the Group obtained control of Gulf Navigation Livestock Carrier Ltd. Inc, a wholly owned subsidiary of Aksab Investments LLC, which is registered in the Republic of Panama, for a purchase consideration of AED 420,000 thousand. Out of AED 420,000 thousand, an amount of AED 20,000 thousand was payable on 31 March 2021 and 31 December 2020. Management is currently negotiating for conversion of this amount into equity of the Group.
- (b) 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 17.7 million towards full and final settlement of its tax dues for prior years up to 2016. Out of AED 17.7 million, the Group had settled AED 11.6 million as of 31 December 2019. During the current period, the Group received a waiver from the tax authorities for the remaining AED 6.1 million. Hence, the Group derecognised liabilities of AED 6.1 million which are included within 'Liabilities no longer required written back' in interim condensed consolidated statement of comprehensive income.

As of 31 March 2021, the Group continues to recognise provision prospectively towards withholding taxes based on the agreement with tax authorities.

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

9. Lease liabilities

	31 March 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Amounts payable under leases:		
Within one year	460	486
Between two to five years	-	128
	<u>460</u>	<u>614</u>
Less: Finance charges applicable to future years	-	-
	<u>460</u>	<u>614</u>
Present value of lease obligations	<u>460</u>	<u>614</u>
Within one year	460	486
Between 2-5 years	-	128
	<u>460</u>	<u>614</u>
Less: Current portion	<u>(460)</u>	<u>(486)</u>
Non-current portion	<u>-</u>	<u>128</u>

As of 31 March 2021, the lease liabilities pertaining to right-of-use assets amounted to AED 460 thousand (2020: AED 614 thousand).

10. Borrowings

	31 March 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Current		
Term loan	216,209	270,441
Short term loan	831	831
	<u>217,040</u>	<u>271,272</u>
Non-current		
Term loan	<u>51,298</u>	<u>54,539</u>

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

10. Borrowings (continued)

The movement of borrowings is summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Term-loan V AED'000	Total AED'000
Balance at 1 January 2021	-	57,789	27,411	45,994	193,786	324,980
Add: amortisation of arrangement fee	-	38	-	326	318	682
Less: repaid during the period	-	-	-	(46,320)	(11,835)	(58,155)
Balance at 31 March 2021 (Unaudited)	-	57,827	27,411	-	182,269	267,507
Less: current portion	-	(23,253)	(10,687)	-	(182,269)	(216,209)
Non-current portion	-	34,574	16,724	-	-	51,298
Balance at 1 January 2020	-	57,639	27,411	57,504	244,969	387,523
Add: amortisation of arrangement fee	-	150	-	127	1,270	1,547
Add: availed during the year	-	-	-	43	-	43
Less: repaid during the period	-	-	-	(11,680)	(52,453)	(64,133)
Balance at 31 December 2020 (audited)	-	57,789	27,411	45,994	193,786	324,980
Less: current portion	-	(21,127)	(9,534)	(45,994)	(193,786)	(270,441)
Non-current portion	-	36,662	17,877	-	-	54,539

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

10. Borrowings (continued)

(a) Term loan I

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

(b) Term loan II

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at EIBOR plus margin and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. During the three-month period ended 31 March 2021, the Group has not repaid the due instalments. The Group's management are in discussions with the lender to regularise the loan and the discussions are expected to be finalised before the year ending 31 December 2021.

(c) Term loan III

Term loan of AED 30,000 thousand was availed by the Group to support acquisition and conversion of an oil stimulation vessel. This loan carries interest at EIBOR plus margin and is payable in 27 equal quarterly instalments commencing from 7 December 2018 with final payment on 7 June 2025. During the three-month period ended 31 March 2021, the Group has not repaid the due instalments. The Group's management are in discussions with the lender to regularise the loan and the discussions are expected to be finalised before the year ending 31 December 2021.

(d) Term loan IV

Term loan of AED 59,377 thousand (net of arrangement fees) was availed to the support acquisition of livestock vessels. This loan carries interest at EIBOR plus margin and is payable in 16 quarterly instalments commencing from 29 May 2019 with 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 7b).

(e) 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%

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

10. Borrowings (continued)

(e) Term loan V (continued)

In addition to above, following covenants are also applicable:

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

As of the date of these interim condensed consolidated financial statements, the Group is not in compliance with the above-mentioned covenants. The Group is currently in the process of restructuring its loan under new and flexible terms. The term loan V continues to be classified as a current liability as the new terms of the loan were not agreed as of the reporting date.

(f) Short term loan

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

11. Related party transactions and balances

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

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

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

	Three month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Finance costs - loans from related parties	-	754

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

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

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

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

11. Related party transactions and balances (continued)

	31 March 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
(d) Loan from related parties		
Major shareholders (disclosed as non-current liability)	-	-
Major shareholders (disclosed as current liability)	11,838	16,838

The loan obtained from the major shareholders was utilised to finance dry docking of chemical tankers. During the year ended 31 December 2020, shareholder loan to the extent of AED 40,409 thousand has been settled from the proceeds received from Islamic non-convertible sukuk. The outstanding balance as of 31 March 2021 is interest free and will be repaid on 30 June 2021.

In August 2020, the Group obtained another short-term loan amounting to AED 10,000 thousand from a related party. The loan is interest free and is due to be repayable within twelve months. During the three-month period ended 31 March 2021, the group repaid AED 5,000 thousand.

	Three month period ended 31 March 2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
(e) Key management remuneration		
Salaries, benefits and directors' fees	353	460

12. Operating revenue

	Three-month period ended 31 March 2021 AED'000 (Unaudited)	2020 AED'000 (Unaudited)
Vessel owning and chartering	29,642	31,979
Shipping services	1,415	1,465
Marine product sales and distribution	16	17
Technical services	-	53
	31,073	33,514

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

13. Operating costs

	Three-month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
<i>Vessel owning and chartering:</i>		
Ship running - vessels	13,662	19,942
Ship running - crew boats	1,085	1,095
Vessel depreciation	6,231	10,594
Amortisation of dry-docking costs	3,056	3,542
Ship repair	171	76
Shipping services	772	958
Marine product sales and distribution	5	3
Technical services	-	14
	24,982	36,224

14. General and administrative expenses

	Three month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Staff costs (Note 15)	1,762	2,736
Professional fees	423	203
Foreign exchange loss	-	91
Provision for claims (see note below)	2,270	-
Other administrative expenses	903	821
	5,358	3,851

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

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

15. Staff costs

	Three month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Salaries and wages	1,626	2,355
Employees' end of service benefits	22	31
Other benefits	114	350
	<u>1,762</u>	<u>2,736</u>

16. Finance costs

	Three month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Finance cost on:		
- Term loans	7,243	10,274
- Murabaha financing facility	-	187
- Loan from shareholders	-	754
- Islamic non-convertible sukuk	3,097	-
Other charges	366	64
	<u>10,706</u>	<u>11,279</u>

17. Share capital

	31 March 2021	31 December 2020
	AED'000	AED'000
	(Unaudited)	(Audited)
Authorised:		
1,019,209,250 shares (2019: 1,019,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>1,019,209</u>
Issued and fully paid up:		
1,019,209,250 shares (2019: 1,019,209,250 shares) of AED 1 each	<u>1,019,209</u>	<u>1,019,209</u>

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

18. Earnings per share

	Three month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit / (Loss) for the period attributable to owners of the Company	80,132	(17,926)
Number of shares	1,019,209,250	1,019,209,250
Basic and diluted income (loss) per share	AED 0.0786	(AED 0.0176)

19. Islamic non-convertible sukuk

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

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

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

20. Operating leases as lessor

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

	31 March 2021	31 December 2020
	AED'000	AED'000
	(Unaudited)	(Audited)
Not later than one year	108,208	108,208
Between one year and five years	161,468	188,149
	269,676	296,357

**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2021 (continued)**

21. Subsequent events

The Group held a General Meeting on 29 April 2021, where the shareholders resolved to continue the operations of the Group in accordance with Article 302 of the UAE Federal Law No (2) of 2015.

The Group has completed the process of restructuring its largest loan with Australis Maritime Limited, under new and flexible terms, and is currently awaiting the signing of the final term sheet.