



Gulf Navigation Holding PJSC
and its Subsidiaries

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 december 2021

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.

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

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)

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



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).