



ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED
(Company Registration No. 200411055E)

**Condensed Interim Consolidated Financial Statements
for the Financial Quarter Ended 31 March 2022**

In view of an Emphasis of Matter relating to "material uncertainty related to going concern" highlighted by the Company's independent auditor, Ernst & Young LLP, on the audited financial statements of the Group for the financial year ended 31 December 2021, the Company is required by the Singapore Exchange Securities Trading Limited ("SGX-ST") to announce its quarterly financial statements pursuant to Rule 705 of the Catalist Rules.

This announcement, including the condensed interim consolidated financial statements, has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"). This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	The Group		
		3 months ended 31 March 2022 ("1Q2022")	3 months ended 31 March 2021 ("1Q2021")	Increase/ (Decrease)
		US\$'000	US\$'000	%
Revenue	4	13,724	8,743	57.0
Cost of services ¹		(9,368)	(9,295)	0.8
Gross profit/(loss)		4,356	(552)	N.M.
Other items of expense				
Marketing and distribution expenses		(25)	-	N.M.
Administrative expenses ²		(1,497)	(1,489)	0.5
Finance costs		(897)	(1,109)	(19.1)
Withholding tax expense		(82)	(72)	13.9
Profit/(loss) before tax	6	1,855	(3,222)	N.M.
Income tax expense		-	-	-
Profit/(loss) for the period, attributable to owners of the Company		1,855	(3,222)	N.M.
EBITDA for the period³		5,223	71	>100.0

(1) Cost of services include depreciation of US\$2,437,000 (1Q2021: US\$2,158,000) relating to vessels as disclosed in Note 6.1.

(2) Administrative expenses include depreciation and amortisation of US\$34,000 (1Q2021: US\$26,000) relating to office equipment and other assets respectively as disclosed in Note 6.1.

(3) EBITDA is computed based on the profit/(loss) before tax, finance costs, depreciation and amortisation.

Consolidated statement of comprehensive income

Profit/(loss) for the period	1,855	(3,222)	N.M.
<u>Items that may be reclassified subsequently to profit or loss</u>			
Net fair value changes on cash flow hedges	444	249	78.3
Other comprehensive income for the period, net of tax	444	249	78.3
Total comprehensive income for the period, attributable to owners of the Company	2,299	(2,973)	N.M.

**Profit/(loss) per share for the period attributable to the
owners of the Company during the financial period:**

Basic (US\$ in cent)	0.35	(0.62)
Diluted (US\$ in cent)	0.35	(0.62)

N.M.: not meaningful

B. Condensed interim statements of financial position

	Note	The Group		The Company	
		Unaudited	Audited	Unaudited	Audited
		31 March 2022	31 December 2021	31 March 2022	31 December 2021
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Non-current assets					
Property, vessels and equipment	8	137,028	138,539	-	-
Right-of-use assets		4	20	-	-
Intangible assets		159	164	141	141
Investment in subsidiaries		-	-	67,770	67,770
Advances, deposits and other receivables		-	-	24,471	24,471
		<u>137,191</u>	<u>138,723</u>	<u>92,382</u>	<u>92,382</u>
Current assets					
Inventories		485	700	-	-
Advances, deposits and other receivables		2,085	1,854	4,249	3,728
Prepayments		370	306	4	14
Trade receivables	9	11,903	11,171	739	1,976
Cash and bank balances		2,420	520	387	37
Restricted cash		50	90	-	-
		<u>17,313</u>	<u>14,641</u>	<u>5,379</u>	<u>5,755</u>
Total assets		154,504	153,364	97,761	98,137
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	10	50,660	52,682	17,366	18,004
Trade payables		9,858	8,972	-	-
Accruals and other payables		6,161	5,574	416	292
Other non-financial liabilities		141	130	-	-
Amount due to shareholders	11	2,576	2,689	750	750
		<u>69,396</u>	<u>70,047</u>	<u>18,532</u>	<u>19,046</u>
Net current liabilities		(52,083)	(55,406)	(13,153)	(13,291)
Non-current liabilities					
Provisions		883	754	-	-
Amount due to shareholders	11	11,524	11,370	11,524	11,370
Derivatives	12	499	943	-	-
Loans and borrowings	10	901	1,248	-	-
		<u>13,807</u>	<u>14,315</u>	<u>11,524</u>	<u>11,370</u>
Total liabilities		83,203	84,362	30,056	30,416
Net assets	7	71,301	69,002	67,705	67,721
Equity attributable to owners of the Company					
Share capital	13	38,307	38,307	111,471	111,471
Other reserves		6,164	5,720	6,036	6,036
Retained earnings/(accumulated losses)		26,830	24,975	(49,802)	(49,786)
Total equity		71,301	69,002	67,705	67,721
Total equity and liabilities		154,504	153,364	97,761	98,137

C. Condensed interim statements of changes in equity

The Group	Equity, total	Share capital	Other reserves	Retained earnings
	US\$'000	US\$'000	US\$'000	US\$'000
2022				
Balance at 1 January 2022	69,002	38,307	5,720	24,975
Profit for the period	1,855	-	-	1,855
Other comprehensive income				
Net fair value changes on cash flow hedges	444	-	444	-
Other comprehensive income for the period, net of tax	444	-	444	-
Balance at 31 March 2022	71,301	38,307	6,164	26,830
2021				
Balance at 1 January 2021	81,074	38,307	4,544	38,223
Loss for the period	(3,222)	-	-	(3,222)
Other comprehensive income				
Net fair value changes on cash flow hedges	249	-	249	-
Other comprehensive income for the period, net of tax	249	-	249	-
Transaction with shareholders of the Company directly recognised in equity*	576	-	576	-
Balance at 31 March 2021	78,677	38,307	5,369	35,001

The Company	Equity, total	Share capital	Other reserves	Accumulate d losses
	US\$'000	US\$'000	US\$'000	US\$'000
2022				
Balance at 1 January 2022	67,721	111,471	6,036	(49,786)
Loss for the period, representing total comprehensive income for the period	(16)	-	-	(16)
Balance at 31 March 2022	67,705	111,471	6,036	(49,802)
2021				
Balance at 1 January 2021	78,064	111,471	5,460	(38,867)
Loss for the period, representing total comprehensive income for the period	(193)	-	-	(193)
Transaction with shareholders of the Company directly recognised in equity*	576	-	576	-
Balance at 31 March 2021	78,447	111,471	6,036	(39,060)

* During 1Q2021, a fair value adjustment arising from change of interest rate from 6.0% per annum to 3.0% per annum, being the difference between the carrying amount of loans received from shareholders and the fair value of these loans, was recognised in capital reserve.

D. Condensed interim consolidated statement of cash flows

	Note	The Group	
		3 months ended 31 March 2022 US\$'000	3 months ended 31 March 2021 US\$'000
Operating activities			
Profit/(loss) before tax		1,855	(3,222)
Adjustments for:			
Depreciation of property, vessels and equipment	6	2,450	2,163
Amortisation of intangible assets	6	5	5
Depreciation of right-of-use assets	6	16	16
Finance costs		897	1,109
Provisions		191	74
Total adjustments		3,559	3,367
Operating cash flows before changes in working capital		5,414	145
Decrease/(increase) in inventories		215	(9)
(Increase)/decrease in trade receivables		(732)	2,508
Increase in advances, deposits and other receivables		(231)	(664)
Increase in prepayments		(64)	(399)
Increase in trade payables		886	389
Increase/(decrease) in accruals and other payables		623	(188)
Decrease in provisions		(62)	(58)
Increase in other non-financial liabilities		11	37
Total changes in working capital		646	1,616
Cash generated from operations		6,060	1,761
Interest paid		(779)	(1,256)
Net cash flows generated from operating activities		5,281	505
Investing activities			
Purchase of property, vessels and equipment		(939)	(544)
Net cash flows used in investing activities		(939)	(544)
Financing activities			
(Repayment of)/proceeds from shareholders' advance		(113)	101
Proceeds from loans and borrowings		-	1,194
Repayment of loans and borrowings		(2,409)	(2,894)
Repayment of principal portion of lease liabilities		-	(20)
Decrease in bank deposits pledged and restricted cash		40	4
Net cash flows used in financing activities		(2,482)	(1,817)
Net increase/(decrease) in cash and cash equivalents		1,860	(1,856)
Cash and cash equivalents at beginning of the period		(1,942)	45
Cash and cash equivalents at end of the period (Note A)		(82)	(1,811)
Note A:			
Cash and cash equivalents comprise the following at the end of the reporting period:			
Cash and bank balances		2,420	662
Bank overdrafts		(2,502)	(2,473)
Net balance		(82)	(1,811)

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Atlantic Navigation Holdings (Singapore) Limited (the "Company", and together with its subsidiaries, the "Group") is a limited liability company incorporated in Singapore and is listed on the Catalist board of Singapore Exchange Securities Trading Limited (the "SGX-ST").

The immediate and ultimate holding company is Saeed Investment Pte. Ltd., which is incorporated in Singapore.

The registered office of the Company is at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712. The principal place of business of the Group is located at Plot No. HD-02, P. O. Box 6653, Hamriyah Free Zone, Sharjah, United Arab Emirates.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are ship owner, commercial and administrative manager of the Group's marine logistics services business and provider of ship repair, fabrication and other marine services and ship management.

2. Basis of preparation

The condensed interim consolidated financial statements for the three months ended 31 March 2022 ("1Q2022") have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with Singapore Reporting Standards (International) ("SFRS(I)s"), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim consolidated financial statements are presented in United States Dollars ("USD" or "US\$") and all values are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

Going concern uncertainty

As at 31 March 2022, the Group has reported a net current liabilities position of US\$52,083,000 (31 December 2021: US\$55,406,000) and net assets of US\$71,301,000 (31 December 2021: US\$69,002,000). The Company has reported a net current liabilities position of US\$13,153,000 (31 December 2021: net current liabilities position of US\$13,291,000) and net assets position of US\$67,705,000 (31 December 2021: US\$67,721,000) as at 31 March 2022.

The Group had vessels, including capitalised drydocking costs, with a carrying value of US\$136,790,000 as at 31 March 2022 (31 December 2021: US\$138,400,000) that have been pledged with the financial institutions to secure the Group's bank loans. The Group had on 10 June 2022 accepted a revised binding Facilities Letter from one of its principal banks (the "Primary Bank") mainly for the provision of a new 30-month term loan of US\$9.0 million (the "Refinancing") with use of proceeds mainly for the repayment of certain existing loans with the other principal bank (the "Relevant Bank") and the remaining proceeds for working capital purposes.

As an update, the supplementary letter of offer from the Relevant Bank for the partial repayment of loans and re-profiling of the then remaining debt of US\$9.0 million to be fully repaid by the original maturity date in April 2023 (the "Re-Profiling") had been received and accepted by the Group on 30 June 2022. The new loans pursuant to the Refinancing was disbursed in early July 2022 by the Primary Bank and partially utilised for the loan repayment with the Relevant Bank with loan outstanding of US\$9.0 million on 13 July 2022.

The Group is in the process of finalising the loan documentation and administrative processes for the Refinancing and Re-profiling which are expected to be completed by 31 August 2022 (the "Completion"). Please see the Company's announcement dated 13 June 2022 for more details.

Given that the Completion is beyond 31 March 2022, the secured loans from the Relevant bank as well as the Primary Bank continued to be classified as current liabilities as at 31 March 2022 as disclosed in Note 10.

The Group had prepared the financial statements on a going concern basis in view of the following main supporting factors:

- (i) the progress in the Refinancing and Re-profiling pending the completion of loan documentation and administrative processes by 31 August 2022;
- (ii) the expected cash flows from operations in an improving offshore market condition in the Middle East; and
- (iii) the Group is contemplating to sell certain vessel(s), if required, to complement its cash flows (see also Company's announcement on 10 June 2022 on the sale of AOS Honour completed on 25 June 2022).

2.1. New and amended standards adopted by the Group

On 1 January 2022, the Group has adopted the new or amended SFRS(I)s and Interpretations of SFRSs ("INT SFRS(I)s") that are mandatory for application for the financial period.

The adoption of these new or amended SFRS(I)s and INT SFRS(I)s did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current financial period.

2.2. Use of judgements and estimates

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Judgments made in applying accounting policies

(i) Proportionate consolidation of investment in a joint operation

The Group formed Atlantic Venture Inc. ("AVI"), to acquire a vessel and provide charter services with 51% equity interests. The Group has equal representation on the board of directors and unanimous consent is required from both the Group and the third-party partner for all major operational decisions. Both the Group and the third-party partner, in accordance with their respective participating equity interests, would have the rights to the assets and obligations to the liabilities of AVI. Based on these facts and circumstances, management concluded that the Group has joint control over AVI and, therefore, recognised its share of the assets and the liabilities in respect of its interest in the joint operation in its financial statements.

(ii) Leases – Determining the lease term of contracts with renewal and termination options

The application of SFRS(I) 16 requires the Group to make judgements that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining contracts in scope of SFRS(I) 16 and determining the contract term. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by the option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Residual values and useful lives of vessels and machinery and equipment

The Group reviews the residual values and useful lives of vessels and machinery and equipment at the end of each reporting period. The cost of the vessels and machinery and equipment is depreciated on a straight-line basis over the vessels, machinery and equipment's estimated useful lives. Management estimates the useful lives of the vessels to be within 15 to 25 years and machinery and equipment to be within 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of the vessels and machinery and equipment; therefore, future depreciation charges could be revised. Please see Note 8 for changes in 1Q2022.

The carrying amount of the Group's vessels, machinery and equipment as at 31 March 2022 was US\$136,877,000 (31 December 2021: US\$138,430,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately US\$245,000 (1Q2021: US\$216,000) variance in the Group's profit before tax for the period ended 31 March 2022.

(ii) Impairment of non-financial assets

An 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 costs of disposal and its value in use. At least at each year end, the Group assesses whether there is any indication that its vessels may be impaired. If such indicator exists, the Group estimates the recoverable amount of the vessel. The Group engages independent professional valuation expert to perform valuations of the recoverable amount of its vessels based on fair value less costs of disposal. If the fair value less costs of disposal decrease by 10% from the fair value based on valuation reports, the impairment charges of US\$11,337,000 (1Q2021: US\$13,912,000) will be incurred for the period ended 31 March 2022.

(iii) Allowance for expected credit losses ("ECLs") on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The carrying amount of trade receivables as at 31 March 2022 was US\$11,903,000 (31 December 2021: US\$11,171,000).

3. Seasonal operations

The Group's businesses are not significantly affected by seasonal or cyclical factors during the financial period ended 31 March 2022.

4. Segment and revenue information

The Group is organised into the following main business segments: (i) Marine logistics services ("MLS") and (ii) Ship repair, fabrication and other marine services ("SRM"). These operating segments are reported in a manner consistent with internal reporting provided to chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

4.1. Reportable segments

	3 months ended 31 March 2022			
	MLS	SRM	Elimination	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	12,807	1,302	(385)	13,724
Segment results	3,763	593	-	4,356
Marketing and distribution expenses	(25)	-	-	(25)
Administrative expenses	(1,134)	(267)	-	(1,401)
Finance costs	(897)	-	-	(897)
Withholding tax	(82)	-	-	(82)
Segment profit	1,625	326	-	1,951
Unallocated expenses:				
Administrative expenses				(96)
Profit before tax				1,855
Income tax expense				-
Profit for the period				1,855
Material non-cash items:				
Depreciation of property, vessels and equipment	(2,450)	-	-	(2,450)
Depreciation of right-of-use assets	(16)	-	-	(16)
Amortisation of intangible assets	(5)	-	-	(5)

	3 months ended 31 March 2021			
	MLS	SRM	Elimination	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	8,427	768	(452)	8,743
Segment results	(839)	287	-	(552)
Administrative expenses	(1,117)	(164)	-	(1,281)
Finance costs	(1,109)	-	-	(1,109)
Withholding tax	(72)	-	-	(72)
Segment (loss)/profit	(3,137)	123	-	(3,014)
Unallocated expenses:				
Administrative expenses				(208)
Loss before tax				(3,222)
Income tax expense				-
Loss for the period				(3,222)
Material non-cash items:				
Depreciation of property, vessels and equipment	(2,163)	-	-	(2,163)
Depreciation of right-of-use assets	(16)	-	-	(16)
Amortisation of intangible assets	(5)	-	-	(5)

4.2. Disaggregation of revenue

	The Group		
	3 months ended 31 March 2022		
	MLS	SRM	Total
	US\$'000	US\$'000	US\$'000
Types of goods or services:			
Time charter - lease revenue	7,313	-	7,313
Other ancillary time charter revenue	5,494	-	5,494
Ship repair, fabrication and other related marine services	-	917	917
Total revenue	12,807	917	13,724
Geographical information:			
Saudi Arabia	5,845	-	5,845
United Arab Emirates ("UAE")	3,180	624	3,804
Oman	2,602	-	2,602
Singapore	661	18	679
Sudan	519	-	519
Others	-	275	275
Total revenue	12,807	917	13,724

	The Group		
	3 months ended 31 March 2021		
	MLS	SRM	Total
	US\$'000	US\$'000	US\$'000
Types of goods or services:			
Time charter - lease revenue	3,813	-	3,813
Other ancillary time charter revenue	4,614	-	4,614
Ship repair, fabrication and other related marine services	-	316	316
Total revenue	8,427	316	8,743
Geographical information:			
Saudi Arabia	3,194	1	3,195
Oman	1,425	-	1,425
Qatar	1,380	-	1,380
Malta	1,313	-	1,313
United Arab Emirates	142	163	305
Singapore	973	65	1,038
Others	-	87	87
Total revenue	8,427	316	8,743

The Group's non-current assets are located in the UAE.

The Group accounts for the lease of vessels and time charter under SFRS(I) 16 *Leases* as lease revenue. Time charter comprises of lease of vessels and provision of other ancillary services. Other ancillary services include provision of crew and other services under the time charter contracts. The Group separates the lease and non-lease components of time charter by allocating the transaction price based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on cost plus approach where management determined the cost for the leases of vessels and services and apply a margin based on the Group's business pricing strategies and practices.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 March 2022 and 31 December 2021:

	Group		Company	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Financial Assets				
Trade receivables	11,903	11,171	739	1,976
Advances, deposits and other receivables	1,492	1,319	28,720	28,199
Cash and bank balances	2,420	520	387	37
Restricted cash	50	90	-	-
	<u>15,865</u>	<u>13,100</u>	<u>29,846</u>	<u>30,212</u>
Financial Liabilities				
Trade payables	9,858	8,972	-	-
Accruals and other payables	6,161	5,574	416	292
Amount due to shareholders	14,100	14,059	12,274	12,120
Loans and borrowings	51,561	53,930	17,366	18,004
Derivatives	499	943	-	-
	<u>82,179</u>	<u>83,478</u>	<u>30,056</u>	<u>30,416</u>

6. Profit/(loss) before tax

6.1. Significant items

	The Group	
	3 months ended 31 March 2022	3 months ended 31 March 2021
	US\$'000	US\$'000
Expenses		
Depreciation of property, vessels and equipment (included in cost of services)	(2,437)	(2,158)
Depreciation of property, vessels and equipment (included in administrative expenses)	(13)	(5)
Depreciation of right-of-use assets (included in administrative expenses)	(16)	(16)
Amortisation of intangible assets (included in administrative expenses)	(5)	(5)

6.2. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial period:

	Group	
	3 months ended 31 March 2022	3 months ended 31 March 2021
	US\$'000	US\$'000
Amount due from the Group		
Amount due to director-related company for agency and administrative services rendered	16	16
Interest on shareholder's loans and advances	78	78
Amount due to the Group		
Amount due from the ultimate holding company for ship management services rendered	151	-

6.2. Related party transactions (continued)

(b) Compensation of key management personnel

	Group	
	3 months ended 31 March 2022	3 months ended 31 March 2021
	US\$'000	US\$'000
Short-term employee benefits	267	227
Others	108	92
	<u>375</u>	<u>319</u>
Comprises amounts paid to:		
Directors of the Company	121	122
Other key management personnel	254	197
	<u>375</u>	<u>319</u>

7. Net asset value

	Group		Company	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	US\$ cent	US\$ cent	US\$ cent	US\$ cent
Net asset value per ordinary share	13.62	13.18	12.93	12.94

The net asset value per ordinary share of the Company and the Group were calculated based on 523,512,144 shares (excluding treasury shares) as at 31 March 2022 and 31 December 2021.

8. Property, vessels and equipment

During 1Q2022, the Group capitalised drydocking expense on certain vessels amounting to US\$827,000 (1Q2021: US\$544,000) and additions to machinery, equipment, and vehicle in aggregate of US\$112,000 (1Q2021: Nil). During the current financial period, there was a change in assessment of remaining useful lives and residual values of certain vessels taking into consideration their respective ages and usage which resulted in higher depreciation of US\$425,000 for 1Q2022 compared to the previous assessment.

9. Trade receivables

	Group		Company	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables				
Trade receivables	11,087	9,910	739	1,976
Retention receivables	784	1,223	-	-
Unbilled receivables	32	38	-	-
Total trade receivables	<u>11,903</u>	<u>11,171</u>	<u>739</u>	<u>1,976</u>

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Retention receivables

Retention receivables represent the retention of 10% of the invoice amounts from one of the debtors. The amount is repayable in cash to the Group upon tax clearance from the Saudi Arabian tax authorities generally within 12 months from the close of the financial year end.

Unbilled receivables

Unbilled trade receivables relate to the Group's right to consideration for charter hire earned but not yet billed at the reporting date.

10. Borrowings

	Group		Company	
	31 March 2022 US\$'000	31 December 2021 US\$'000	31 March 2022 US\$'000	31 December 2021 US\$'000
Amount repayable within one year or on demand				
Secured	50,660	52,682	17,366	18,004
Unsecured	-	-	-	-
Amount repayable after one year				
Secured	901	1,248	-	-
Unsecured	-	-	-	-
Total borrowings and securities	51,561	53,930	17,366	18,004

The above credit facilities including overdraft are secured by one or several of the following:

- (i) Mortgage over certain vessels, as well as corporate guarantees and pledges over the shares of the respective companies owning the vessels mortgaged;
- (ii) Assignment of earnings/charter proceeds, insurances and requisition compensation of mortgaged vessels;
- (iii) Assignment of all rights, titles and interests of mortgaged vessels' charters;
- (iv) Bank deposits pledged in a retention account;
- (v) Financial covenant which requires the Group to maintain Tangible Net Worth of at least US\$50 million;
- (vi) Financial covenant which requires the Group to maintain Adjusted Tangible Net Worth of at least US\$80 million (which includes loans and advances from shareholders in its determination);
- (vii) Adjusted leverage ratio as updated to be maintained at 1.75:1 or below. The ratio will be calculated as total liabilities (excluding cash margin and fixed deposits under lien i.e. cash encumbered for liabilities included in total liabilities) to Tangible Net Worth; and
- (viii) The Loan to Value ("LTV") to be 75% , 70% and 65% or below at all times as updated on respective loan facilities amounts.

The amounts reflected at the table above do not include the loans and advances from shareholders of US\$14,100,000 as at 31 March 2022 (31 December 2021: US\$14,059,000) which are unsecured as disclosed in Note 11.

With reference to Note 2 with details as disclosed, the secured loans from both banks continue to be classified as current liabilities as at 31 March 2022.

11. Amount due to shareholders

	Group		Company	
	31 March 2022 US\$'000	31 December 2021 US\$'000	31 March 2022 US\$'000	31 December 2021 US\$'000
Current:				
Short term loans due to shareholders ⁽¹⁾	2,576	2,689	750	750
	2,576	2,689	750	750
Non-current:				
Loans due to a shareholder ⁽²⁾	6,923	6,923	6,923	6,923
Accrued interest on loans due to a shareholder ⁽²⁾	1,393	1,284	1,393	1,284
Advances from a shareholder ⁽³⁾	2,833	2,833	2,833	2,833
Accrued interest on advances from a shareholder ⁽³⁾	375	330	375	330
	11,524	11,370	11,524	11,370

11. Amount due to shareholders (continued)

- (1) Short term loans due to shareholders are unsecured, non-interest bearing and are to be settled in cash.
- (2) Loans due to a shareholder is unsecured and to be settled in cash. During the FY2021, there was a change in interest rate on the loans due to a shareholder from 6.0% per annum to 3.0% per annum. As at the date of change in interest rate, the loans due to a shareholder was recalculated to the net present value of the future payments discounted at a market rate of interest for a similar debt instrument assessed to be at 6.0% per annum. The loans due to a shareholder together with accrued interest mature on 31 December 2023.
- (3) Advances from a shareholder is unsecured and to be settled in cash. During the FY2021, there was a change in interest rate on the advances from a shareholder from 6.0% per annum to 3.0% per annum. As at the date of change in interest rate, the advances from a shareholder was recalculated to the net present value of the future payments discounted at a market rate of interest for a similar debt instrument assessed to be at 6.0% per annum. Advances from a shareholder together with accrued interest mature on 31 December 2023.

12. Derivatives

	Group			
	31 March 2022	31 March 2022	31 December 2021	31 December 2021
	Contract/ Notional Amount	Fair Value - Liabilities	Contract/ Notional Amount	Fair Value - Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Interest rate swap	14,975	(499)	15,973	(943)

The fair value of interest rate swaps as shown above is determined with reference to marked-to-market values provided by counterparties.

Hedge accounting has been applied for interest rate swaps that are assessed by the Group to be highly effective hedges.

The Group determines the economic relationship between the loans and borrowings and the derivative by matching the critical terms of the hedging instrument with the terms of the hedged item. The hedge ratio (the ratio between notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1.

Under the terms of the interest rate swaps, the Group pays a fixed rate interest of 3.50% (2021: 3.50%) per annum and receives floating interest at 3-month LIBOR plus margin. The interest rate swaps mature on 3 October 2025. The Group uses the interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR.

The hedge is classified as cash flow hedges and the fair value changes of the interest rate swaps are recognised in other comprehensive income.

13. Share capital

	Group		Company	
	Number of shares	Amount	Number of shares	Amount
	'000	US\$'000	'000	US\$'000
As at 1 January 2022 and 31 March 2022	523,512	38,307	523,512	111,471

During the 3-month period ended 31 March 2022, there were no changes in the issued and paid-up share capital of the Company.

There were no outstanding convertibles, treasury shares and subsidiary holdings as at 31 March 2022, 31 December 2021 and 31 March 2021.

There were no sales, transfers, cancellation and/or use of treasury shares or subsidiary holdings during 1Q2022.

F. Other Information required by Catalist Rules Appendix 7C

1. Review

The condensed interim statements of financial position of Atlantic Navigation Holdings (Singapore) Limited and its subsidiaries as at 31 March 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed consolidated statement of cash flows for the financial period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

(a) Review of results of operations

(i) Revenue by business segments

	3 months ended		Increase/ (Decrease)
	31 March 2022	31 March 2021	
	US\$'000	US\$'000	%
MLS	12,807	8,427	52.0
SRM	1,302	768	69.5
Inter-segment revenue	(385)	(452)	(14.8)
Group revenue	13,724	8,743	57.0

The Group's revenue for the MLS segment for 1Q2022 increased by US\$4.4 million or 52.0% compared to 1Q2021 mainly due to increase in revenue from its lift-boats of US\$4.8 million which were off hired in 1Q2021 and increase in revenue from Multipurpose Support Vessels ("MSV") and Anchor Handling Tugs Supply Vessels ("AHTS") of US\$2.1 million due to higher utilisation and higher daily charter rate, offset by decrease in revenue from a Platform Supply Vessel ("PSV") of US\$2.6 million due to non-deployment in 1Q2022.

The Group's revenue for the SRM segment for 1Q2022 increased by US\$0.5 million as compared to 1Q2021 mainly due to the higher level of repair works undertaken in 1Q2022.

(ii) Gross profit and gross profit margin

	3 months ended		Increase/ (Decrease)
	31 March 2022	31 March 2021	
	US\$'000	US\$'000	%
MLS	3,763	(839)	N.M.
SRM	593	287	>100.0
Gross profit/(loss)	4,356	(552)	N.M.

	3 months ended	
	31 March 2022	31 March 2021
MLS	29.4%	(10.0)%
SRM	45.5%	37.4%
Gross profit/(loss) margin	31.7%	(6.3)%

The Group reported gross profit of US\$3.8 million for the MLS segment during 1Q2022, compared to a gross loss of US\$0.8 million in 1Q2021. The MLS segment recorded a gross profit margin of 29.4% in 1Q2022 as compared to a gross loss margin of 10.0% in 1Q2021. The increase in gross profit and gross profit margin of the MLS segment were mainly due to higher contribution margin from its two lift-boats and higher utilisation and daily charter rate of MSV and AHTS vessels offset by aggregate losses which resulted from the non-deployment of a PSV in 1Q2022.

The Group's gross profit and gross profit margin of SRM segment for 1Q2022 increased by US\$0.3 million and 8.1 percentage points respectively as compared to 1Q2021 mainly due to higher level of repair jobs with higher margins.

(iii) Finance costs

Finance cost decreased by US\$0.2 million or 19.1% to US\$0.9 million in 1Q2022 as compared to US\$1.1 million in 1Q2021, corresponding to the lower amount of bank borrowings.

(iv) Withholding tax expense

The withholding tax expense relates to withholding tax on foreign charter income.

(v) Profit/(loss) before tax

As a result of above, the Group recorded a profit before tax of US\$1.9 million in 1Q2022 compared to loss before tax of US\$3.2 million in 1Q2021.

(vi) Income tax expense

There is no income tax expense assessed for both 1Q2022 and 1Q2021 as the Group's significant subsidiaries are incorporated in jurisdictions where such taxes are either exempted or currently not applicable.

(b) Review of financial position

(i) Non-current assets

Non-current assets decreased by US\$1.5 million from US\$138.7 million as at 31 December 2021 to US\$137.2 million as at 31 March 2022. This was mainly due to depreciation charges of US\$2.5 million partially offset by capitalisation of drydocking expenses of US\$0.8 million and addition to machinery, equipment, and vehicles in aggregate of US\$0.1 million.

(ii) Current assets

Current assets increased by US\$2.7 million from US\$14.6 million as at 31 December 2021 to US\$17.3 million as at 31 March 2022. This was mainly due to increase in trade receivables of US\$0.7 million, increase in advances, deposits and other receivables of US\$0.2 million and increase in cash and bank balance of US\$1.9 million, partially offset by decrease in inventories of US\$0.2 million.

(iii) Non-current liabilities

Non-current liabilities decreased by US\$0.5 million from US\$14.3 million as at 31 December 2021 to US\$13.8 million as at 31 March 2022. This was mainly due to decrease in non-current portion of loans and borrowings of US\$0.3 million and decrease in derivatives liabilities of US\$0.4 million, partially offset by increase in provisions and amount due to shareholders of US\$0.3 million.

(iv) Current liabilities

Current liabilities decreased by US\$0.7 million from US\$70.0 million as at 31 December 2021 to US\$69.4 million as at 31 March 2022, mainly due to decrease in the current portion of the loans and borrowings of US\$2.0 million and decrease in amount due to shareholders of US\$0.1 million, partially offset by increase in trade payables of US\$0.9 million, increase in accruals and other payables of US\$0.6 million.

(v) Net current liabilities

Net current liabilities decreased by US\$3.3 million from US\$55.4 million as at 31 December 2021 to US\$52.1 million as at 31 March 2022, mainly due to decrease in current liabilities of US\$0.7 million and increase in current assets of US\$2.7 million.

Barring unforeseen circumstances, the Group is expected to be able to operate as a going concern after taking into consideration factors mentioned in Note 2 to the condensed interim consolidated financial statements.

(vi) Other disclosures

In relation to the Group's 51% interest in Atlantic Venture Inc. ("AVI"), as previously disclosed, the debt secured against a vessel with book value of US\$4.45 million as at 31 March 2022 had been fully repaid. As an update, the Co-Guarantor had in May 2022 commenced winding-up petition (earlier attempt dismissed in June 2021) on the basis of the past contributions in aggregate of approximately US\$0.95 million with hearing expected in September / October 2022. The Group will update the market when there are material developments.

(c) Liquidity and capital resources

(i) Net cash flows generated from operating activities

Net cash flows generated from operating activities amounted to US\$5.3 million in 1Q2022. This was mainly due to operating cash flows before changes in working capital of US\$5.4 million, changes in working capital of US\$0.6 million and interest paid of US\$0.8 million.

(ii) Net cash flows used in investing activities

Net cash flows used in investing activities of US\$0.9 million in 1Q2022 was mainly due to capitalised dry dock expenses of US\$0.8 million and addition to machinery, equipment, and vehicles in aggregate of US\$0.1 million.

(iii) Net cash flows used in financing activities

Net cash flows used in financing activities of US\$2.5 million in 1Q2022 was mainly due to principal repayment of loans and borrowings of US\$2.4 million and repayment of amount due to shareholders of US\$0.1 million.

3. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement was disclosed to shareholders previously.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating year and the next 12 months

The Group achieved vessel utilisation rate in 1Q2022 of 85.6% comparable to that of 4Q2021 of 84.0%, but significantly higher than that of 1Q2021 of 62.4%.

The offshore industry in the Middle East region had shown signs of improvement corresponding to the increase in global oil prices, coupled with the general expectation of an abating of severity of the ongoing COVID-19 pandemic. However, the market environment is expected to continue to remain unpredictable with the continual volatility in oil prices and economic recovery facing headwinds not least with rising interest rates to rein in high inflation as well as supply chain disruptions and export restrictions emanating from the Russia-Ukraine conflict and China.

6. Dividend information

No dividend recommended or declared for 1Q2022 (1Q2021: Nil) in view of the operational and financial requirements of the Group.

7. Interested person transactions

The Company has established review and approval procedures to ensure that interested person transactions entered into by the Group are conducted on normal terms and are not prejudicial to the interests of shareholders. In the event that a member of the Audit Committee of the Company ("AC") is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

The AC has reviewed the rationale for and terms of the Group's interested person transactions and is of the view that the interested person transactions are entered on normal terms and are not prejudicial to the interests of shareholders.

Name of Interested Person	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)
Amount due from the Group		
Wong Siew Cheong, as loan interest due from the Group ⁽¹⁾	US\$54,988 (Approximately S\$74,454)	-
Saeed Investment Pte. Ltd., as interest on Advance due from the Group ⁽²⁾	US\$22,500 (Approximately S\$30,465)	-
Amount due to the Group		
Saeed Investment Pte. Ltd., for Ship Management Fees due to the Group ⁽³⁾	US\$151,147 (Approximately S\$204,653)	-

Notes:

- (1) As at 31 March 2022, Mr. Wong Siew Cheong, the Executive Director and CEO, had provided an aggregate of US\$7.3 million loan to the Group (the "Loan") where the Loan is unsecured, interest-bearing at an interest rate of 3.0% per annum, and advances of US\$1.8 million which is unsecured, non-interest bearing, both sums to be settled in cash.
- (2) As at 31 March 2022, Saeed Investment Pte. Ltd. ("Saeed"), the ultimate holding company controlled by Mr. Kum Soh Har, the Non-Executive Non-Independent Chairman, had provided an aggregate of US\$3.0 million shareholder advance (the "Advance") to the Group where the Advance is unsecured, interest-bearing at an interest rate of 3.0% per annum, and further advance of US\$0.8 million which is unsecured and non-interest bearing, both sums to be settled in cash.
- (3) Pursuant to the Ship Management Agreement between Saeed and a wholly-owned ship manager subsidiary of the Group, i.e. Atlantic Maritime Group FZE ("AMG FZE") entered on 15 July 2022 (the "Saeed SMA") with effect from 16 November 2021 for the provision of ship management services including commercial, technical, crewing and operational expenses management services of an OSV vessel owned by Saeed for fees to be determined on a per-day basis (the "Ship Management Fees").

Between 16 November 2021 and 22 June 2022, the ship management services included services related to the vessel's first special survey as required by the class society, minor upgrades and maintenance for pre-contract preparation as well the execution of certain spot projects. The total Ship Management Fees for services rendered during the period from 16 November 2021 to 31 March 2022 pursuant to Saeed SMA was US\$151,147.

7. Interested person transactions (continued)

From 23 June 2022, AMG FZE will be providing ship management services pursuant to a firm contract it had secured on behalf of Saeed with an international contractor for about 16 months until 27 October 2023, with an option exercisable by charterer to extend for 180 days, i.e. until 24 April 2024 (the "On-going Contract").

Over the period from 16 November 2021 to 24 April 2024, the total actual as well as expected Ship Management Fees pursuant to the On-going Contract on 100% operational basis, aggregated with the interest payable by the Group to Saeed for Advance, is not expected to exceed 3% of the Group's latest audited net tangible assets as at 31 December 2021.

The Group does not have any interested person transaction general mandate from shareholders pursuant to Rule 920 of the Catalist Rules.

8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

9. Negative confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited condensed interim consolidated financial statements for the three-month period ended 31 March 2022 to be false or misleading in any material aspect.

10. Disclosures on acquisitions and sale of shares pursuant to Rule 706A of the Catalist Rules

There were no acquisition or sale of shares in any of the Group's subsidiary or associated company nor incorporation or winding up or striking off of any subsidiary or associated company by the Company or any of the Group's entities during 1Q2022.

BY ORDER OF THE BOARD

Wong Siew Cheong
Executive Director and Chief Executive Officer

15 July 2022