

**Gulf Navigation Holding PJSC  
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2023**

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

## **Interim condensed consolidated financial statements March 31, 2023**

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**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING P.J.S.C****Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Navigation Holding P.J.S.C (the "Company") and its subsidiaries (collectively referred to as the "Group"), comprising the interim consolidated statement of financial position as at 31 March 2023, and the related interim consolidated statements of comprehensive income, interim consolidated statement of changes in equity, and interim consolidated statement of cash flows for the three months period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Comparative Information**

Without qualifying our conclusion, we draw attention to Note 22 to the interim condensed consolidated financial statements, which indicates that the comparative information presented as at December 31, 2022 has been restated.

As part of our review of these interim condensed consolidated financial statements, we reviewed the adjustments described in Note 22 that were applied to restate the comparative information presented as at December 31, 2022.

The consolidated financial statements of the Group as at and for the year ended December 31, 2022, excluding the adjustments described in Note 22 to the interim condensed consolidated financial statements, were audited by another auditor who expressed a modified opinion on those statements on April 3, 2023 with respect to gains from treasury shares recognized in profit or loss.

The interim condensed consolidated financial statements of the Group as at and for the three months ended March 31, 2022, were reviewed by another auditor who expressed an unmodified conclusion on those statements on May 13, 2022.

**Other Matter**

At the General Assembly Meeting of the Company that was held on April 30, 2023, the shareholders approved the consolidated financial statements of the Group as at and for the year ended December 31, 2022 but did not approve the Auditor's Report and did not discharge the auditor for the fiscal year ended December 31, 2022.

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF  
NAVIGATION HOLDING P.J.S.C (CONTINUED)**

**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.



**GRANT THORNTON**

**Dr. Osama El-Bakry**  
**Registration No. 935**  
**Dubai, United Arab Emirates**

**May 12, 2023**



Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

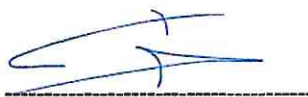
As at March 31, 2023

		<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<i>Notes</i>	<b>AED'000</b>	<b>AED'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
			<b>(Restated)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Vessels, property and equipment	4	502,598	587,121
Goodwill	5	143,463	143,463
<b>Total non-current assets</b>		<b>646,061</b>	<b>730,584</b>
<b>Current assets</b>			
Inventories		7,983	7,966
Trade and other receivables	6	33,896	17,796
Cash and bank balances	7	21,733	28,271
		<b>63,612</b>	<b>54,033</b>
Asset held for sale	24	74,427	-
<b>Total current assets</b>		<b>138,039</b>	<b>54,033</b>
<b>TOTAL ASSETS</b>		<b>784,100</b>	<b>784,617</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	1,275,391	1,275,391
Share premium	9	13,795	8,452
Treasury shares	9	(18,112)	(24,045)
Statutory reserve		19,747	19,747
Accumulated losses		(665,660)	(679,159)
Other reserves	10	(181,071)	(181,071)
<b>Total equity</b>		<b>444,090</b>	<b>419,315</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing borrowings	11	154,396	157,889
Provision for employees' end of service benefits		1,137	1,211
<b>Total non-current liabilities</b>		<b>155,533</b>	<b>159,100</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	11	57,611	75,434
Islamic non-convertible Sukuk	12	35,443	34,983
Trade and other payables	13	91,423	95,785
<b>Total current liabilities</b>		<b>184,477</b>	<b>206,202</b>
<b>Total liabilities</b>		<b>340,010</b>	<b>365,302</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>784,100</b>	<b>784,617</b>

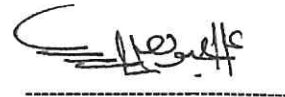
The interim condensed consolidated financial statements were approved by the Board of Directors on May 12, 2023 and signed on its behalf by:



Dr. Abdul Rahman Al Afeefi  
Board Member



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



Ali Abouda  
Chief Financial Officer

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2023

		<i>Three months ended March 31,</i>	
	<i>Notes</i>	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Revenue	16	38,883	35,068
Direct costs	17	(33,145)	(28,111)
<b>GROSS PROFIT</b>		<b>5,738</b>	<b>6,957</b>
General and administrative expenses	18	(4,604)	(4,543)
<b>OPERATING PROFIT</b>		<b>1,134</b>	<b>2,414</b>
Other non-operating income	19	19,461	8,520
Finance costs	20	(6,638)	(8,655)
<b>PROFIT BEFORE INCOME TAX</b>		<b>13,957</b>	<b>2,279</b>
Income tax		(458)	(458)
<b>PROFIT FOR THE PERIOD</b>		<b>13,499</b>	<b>1,821</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>13,499</b>	<b>1,821</b>
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		13,499	1,658
Non-controlling interests		-	163
		<b>13,499</b>	<b>1,821</b>
<b>Earnings per share attributable to Owners of the Company</b>			
- Basic and diluted (AED)	21	<b>0.011</b>	<b>0.002</b>

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.



Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2023

	Attributable to Owners of the Company								
	Share capital AED'000	Share premium AED'000	Treasury shares AED'000	Statutory reserve AED'000	Accumulated losses AED'000	Other reserves AED'000	Total AED'000	Non-controlling interests AED'000	Total AED'000
Balance at January 1, 2022 – Audited	1,019,209	-	-	19,747	(668,909)	(2,724)	367,323	10,148	377,471
Total comprehensive income for the period	-	-	-	-	1,658	-	1,658	163	1,821
Balance at March 31, 2022 – Unaudited	1,019,209	-	-	19,747	(667,251)	(2,724)	368,981	10,311	379,292
Balance at January 1, 2023 – Audited	1,275,391	-	(24,045)	19,747	(666,878)	(181,071)	423,144	-	423,144
Correction of error (Note 23)	-	8,452	-	-	(12,281)	-	(3,829)	-	(3,829)
Balance at January 1, 2023 – Audited Restated	1,275,391	8,452	(24,045)	19,747	(679,159)	(181,071)	419,315	-	419,315
Total comprehensive income for the period	-	-	-	-	13,499	-	13,499	-	13,499
Treasury shares (Note 9)	-	5,343	5,933	-	-	-	11,276	-	11,276
Balance at March 31, 2023 – Unaudited	1,275,391	13,795	(18,112)	19,747	(665,660)	(181,071)	444,090	-	444,090

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its subsidiaries  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the three months ended March 31, 2023

		<i>Three months ended March 31</i>	
	<i>Notes</i>	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		13,957	2,279
<i>Adjustments for:</i>			
Depreciation of vessels, property and equipment	4	10,095	10,219
Amortisation of right-of-use assets		-	96
Provision for employees' end of service benefits		20	34
Other non-operating income		(19,461)	(8,520)
Finance costs		6,638	8,655
		<u>11,249</u>	<u>12,763</u>
<i>Working capital changes</i>			
Inventories		(17)	2,081
Trade and other receivables		(16,100)	(814)
Trade and other payables		4,825	(2,091)
		<u>(43)</u>	<u>11,939</u>
Cash (used in) / from operations		(99)	(32)
Employees' end of service benefits paid			
<b>Net cash flows (used in) / from operating activities</b>		<u>(142)</u>	<u>11,907</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of interest-bearing borrowings		(13,371)	(13,565)
Proceeds from interest-bearing borrowings		-	10,065
Interest paid		(4,302)	(4,534)
Movement in treasury shares, net		11,277	-
Payment of lease liabilities		-	(96)
Payment of arrangement fee		-	(453)
		<u>(6,396)</u>	<u>(8,583)</u>
<b>Net cash flows used in financing activities</b>			
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(6,538)</u>	<u>3,324</u>
Cash and cash equivalents at the beginning of the period		17,801	9,740
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7	<u>11,263</u>	<u>13,064</u>

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements.



## Gulf Navigation Holding PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

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#### 1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC (the "Company") is a public joint stock company since October 30, 2006 as per the Resolution of the Ministry of Economy No. 425 of 2006 and in accordance with the UAE Federal Decree-Law No. (32) of 2021. The Company is listed on the Dubai Financial Market. The Company operates from its office on the 39<sup>th</sup> Floor, API Trio Tower, Al Barsha, Dubai, United Arab Emirates ("UAE").

The Group 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.

Federal Decree Law No 47 of 2022 was issued on December 9, 2022 relating to taxation of Corporations and Businesses in the United Arab Emirates and is effective for tax periods commencing on or after June 1, 2023. Management is in the process of reviewing the Decree Law and will ensure compliance with the requirements of the law from the effective period applicable to the Company. Refer to Note 22 for further disclosures.

These interim condensed consolidated financial statements include the assets, liabilities and results of operations of the Group's subsidiaries and branches as disclosed in the Group's annual consolidated financial statements as at December 31, 2022.

#### 2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

##### 2.1 Basis of preparation

These interim condensed consolidated financial statements for the three-month period ended March 31, 2023 have been prepared in accordance with IAS 34: *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2022. In addition, the results for the three-month period ended March 31, 2023 may not indicative of the results that may be expected for the financial year ending December 31, 2023.

When preparing the interim condensed consolidated financial statements, management undertakes a number of judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

##### 2.2 Going concern

The Group, excluding other non-operating income of AED 19,461 thousand, incurred a loss of AED 5,962 thousand for the three-month period ended March 31, 2023 and, as of that date, the Group's current liabilities exceeded its current assets by AED 46,438 thousand.

At the General Assembly Meeting held on January 31, 2022, the shareholders resolved to approve the issuance of Mandatorily Convertible Bonds for a value up to AED 150,000 thousand ("New Bonds") by way of a private placement, out of which AED 85,394 thousand (Notes 12, 13 and 14) were utilized against settlement of liabilities and conversion of the same into 256,182 thousand shares of the Company at a price of AED 0.33 per share, subject to a lockup period of one year. The shareholders had also resolved to approve the increase of the share capital of the Company for the purposes of converting the New Bonds into shares of the Company.

Further, at the General Assembly Meeting held on March 22, 2023, the shareholders resolved to approve a capital reduction to absorb accumulated losses and a private issuance of 220 million mandatory convertible bonds to increase the share capital of the Company to eventually become AED 837,696 thousand as further disclosed in Note 8.

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

### 2.2 Going concern (continued)

The Group has received, through an investment banker, interest from potential key investors to provide liquidity to the Group of up to AED 220,000 thousand, which will provide the Group sufficient cash flow for investment and operating activities in addition to settlement of existing liabilities. Management is confident of achieving these plans upon successful completion of regulatory requirements.

The management of the Group has taken into consideration the above as well as prepared a cash flow forecast for a period of not less than twelve months from the date of these interim condensed consolidated financial statements, taking into consideration the subsequent sale of a vessel (Note 24) and settlement of term loans (Note 11), and has a reasonable expectation that the Group will have adequate resources to continue its operational existence in the foreseeable future. Accordingly, the interim condensed consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

Furthermore, the shareholders have resolved to continue the operations of the Group at the General Assembly Meeting held on April 30, 2023 as required by Article 309 of the Federal Decree-Law No. (32) of 2021.

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

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022 except for the adoption of new standards effective as of January 1, 2023 where appropriate. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments, which are listed below, apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

### 2.4 Fair value measurement

All financial assets and liabilities are stated at amortised cost or historical cost in these interim condensed consolidated financial statements.

## 3 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, which have changed from December 31, 2022.

The Group comprises the following main business segments:

- *Vessel chartering*: Chartering of vessels to customers;
- *Shipping and technical services*: Providing agency services to ships calling at ports; and providing workshop services for boats
- *Corporate*: Includes management of all divisions and administrative activities.

Vessel chartering, shipping and technical services and corporate meet the criteria required by IFRS 8: *Operating Segments* and reported as separate operating segments.

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2023

3 OPERATING SEGMENTS (continued)

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

Three-month ended March 31, 2023 – Unaudited

	Vessel chartering AED'000	Shipping and technical services AED'000	Corporate AED'000	Inter- segment elimination AED'000	Total AED'000
Revenue	36,910	1,973	236	(236)	38,883
Direct costs	(32,874)	(507)	-	236	(33,145)
General and administrative expenses	(229)	(816)	(3,751)	192	(4,604)
Other non-operating income	19,461	-	192	(192)	19,461
Finance costs	(553)	(5)	(6,080)	-	(6,638)
Income tax	(458)	-	-	-	(458)
Segment profit / (loss)	22,257	645	(9,403)	-	13,499

At March 31, 2023 – Unaudited

Segment assets	692,095	12,149	80,851	(995)	784,100
Segment liabilities	(239,431)	(4,928)	(96,203)	552	(340,010)

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2023

3 OPERATING SEGMENTS (continued)

Three-month ended March 31, 2022 – Unaudited Restated

	Vessel chartering AED'000	Shipping and technical services AED'000	Corporate AED'000	Inter segment elimination AED'000	Total AED'000
Revenue	30,745	4,323	236	(236)	35,068
Direct costs	(25,206)	(3,141)	-	236	(28,111)
General and administrative expenses	(186)	(843)	(3,706)	192	(4,543)
Other non-operating income	8,520	-	192	(192)	8,520
Finance costs	(5,466)	-	(3,189)	-	(8,655)
Income tax	-	-	(458)	-	(458)
Segment profit / (loss)	8,407	339	(6,925)	-	1,821

At December 31, 2022 – Audited Restated

Segment assets	699,904	9,676	75,976	(939)	784,617
Segment liabilities	(267,367)	(5,027)	(93,361)	453	(365,302)

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

March 31, 2023

**4 VESSELS, PROPERTY AND EQUIPMENT**

- (a) During the three-month period ended March 31, 2023, the Group did not purchase any vessels, property and equipment (December 31, 2022: no purchases; capital expenditure towards major repairs of one of the vessels amounting to AED 1,512 thousand).
- (b) Vessels with a carrying value of AED 524,926 thousand (December 31, 2022: AED 534,153 thousand) are mortgaged as security against interest-bearing borrowings (Note 11).
- (c) Management had performed a detailed impairment assessment of vessels, property and equipment as at December 31, 2022 and had not identified any impairment. The impairment was assessed by comparing the carrying value of vessels with their recoverable amounts, which is the higher of fair value less cost of disposal and the value in use. At March 31, 2023, management did not identify any indications that vessels, property and equipment may be impaired.
- (d) During the three-month period ended March 31, 2023, a vessel with a carrying amount of AED 74,427 thousand was reclassified to "Asset held for sale" in accordance with IFRS 5 (Note 24).
- (e) Depreciation expense has been allocated as follows:

	<i>Three months ended March 31</i>	
	<i>2023</i>	<i>2022</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Direct costs* (Note 17)	9,935	10,107
General and administrative expenses (Note 18)	160	112
	<u>10,095</u>	<u>10,219</u>

\* Includes depreciation related to dry-docking costs of AED 3,918 thousand (2022: AED 3,910 thousand)

**5 GOODWILL**

	<i>March 31 2023</i>	<i>December 31 2022</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Goodwill – gross	219,912	219,912
Accumulated impairment loss	(76,449)	(76,449)
Carrying value	<u>143,463</u>	<u>143,463</u>

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 chartering reporting segment.

Management had performed a detailed impairment assessment of goodwill as at December 31, 2022. Based on its assessment, no impairment loss was recognized in the Group's consolidated financial statements for the year ended December 31, 2022. As at December 31, 2022, if the discount rate used was 0.5% higher, with all other variables held constant, there would be an impairment loss of AED 9,000 thousand to goodwill.

Management did not identify any indications of impairment to goodwill as at March 31, 2023.

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

March 31, 2023

**6 TRADE AND OTHER RECEIVABLES**

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited) (Restated)</i>
Trade receivables	16,365	13,650
Less: allowance for expected credit losses (ECL)	(5,875)	(5,875)
	<u>10,490</u>	<u>7,775</u>
Receivable from liquidity provider (Note 9)	7,353	-
Advances to suppliers	4,359	2,196
Prepayments	6,960	3,243
Other receivables	4,734	4,582
	<u>33,896</u>	<u>17,796</u>

**7 CASH AND CASH EQUIVALENTS**

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Cash on hand	108	136
Cash at banks	21,625	28,135
	<u>21,733</u>	<u>28,271</u>
Cash and bank balances	21,733	28,271
Less: restricted cash*	(10,470)	(10,470)
	<u>11,263</u>	<u>17,801</u>

\* Restricted cash represents cash held in certain bank accounts for payment of old outstanding unclaimed dividends (Note 13).

**8 SHARE CAPITAL**

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
<b>Authorised, issued, and fully paid up:</b>		
1,275,391,249 shares (2022: 1,275,391,249 shares) of AED 1 each	<u>1,275,391</u>	<u>1,275,391</u>

At the General Assembly Meeting held on March 22, 2023, the Company's shareholders, through special resolutions, approved the following:

- (i) A capital reduction by 50% of the total issued share capital of the Company through the cancellation of 637,695,625 shares in the Company with nominal value of AED 1 (the "Capital Reduction"), on a pro rata basis, to absorb accumulated losses to the extent of AED 637,695,625 reducing the Company's share capital to AED 637,695,625, noting that the Company will fully utilize the legal or optional reserves to absorb part of the accumulated losses with the remaining losses absorbed from the share capital. The shareholders also approved granting the Board of Directors the full authority to take all actions required to implement and execute the Capital Reduction pursuant to the provisions of the UAE Federal Decree-Law No. (32) of 2021 and the executive regulations of the Securities and Commodities Authority ("SCA"). The expected date for initiating the Capital Reduction will be disclosed by the Company once the final approval of SCA is obtained.

## Gulf Navigation Holding PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

#### 8 SHARE CAPITAL (continued)

- (ii) The private issuance of 220 million Mandatory Convertible Bonds (“MCBs”) to new investors, which will be converted to 200 million shares of the Company at a conversion price of AED 1.10 increasing the share capital of the Company to AED 837,695,625 (the “Capital Increase”) post the Capital Reduction, subject to obtaining the necessary approvals from the regulators. The shareholders also approved granting the Board of Directors the full authority to take all actions required to implement and execute the Capital Increase pursuant to the provisions of the UAE Federal Decree-Law No. (32) of 2021 and the executive regulations of SCA, and to sign on all documents related to the MCBs.

#### 9 TREASURY SHARES

At the Annual General Assembly held on April 28, 2022, the shareholders of the Company approved the recommendation of the Board of Directors to buy back the Company’s shares, not exceeding 10% of its total shares, for the purpose of disposing them in accordance with the decision issued by the Securities & Commodities Authority (“SCA”) in this regard, while authorising the Group’s Board of Directors to:

- Implement the decision of the General Assembly during 2022 approved by SCA.
- Reduce the capital of the Company in the event of not meeting the period specified by SCA to dispose of the purchased shares by cancelling those shares with the amendment of the Company’s capital in the Articles of Association.

Consequently, in 2022, the Company acquired 11,150,000 of its own shares through market brokers and agents, which have been registered under the Company’s name as legal and beneficial holder of those shares, as well as appointed a liquidity provider to provide liquidity for the Company’s securities listed on the DFM as the regulated market by entering two-way daily quotes into the Market trading system, whereby the Company’s shares traded under the liquidity provision agreement would be held under the legal name of the liquidity provided on behalf and for the benefit of the Company.

The details of the Treasury Shares at the reporting date are as follows:

	Number of shares		Acquisition cost of shares	
	<i>March 31 2023 No. (Unaudited)</i>	<i>December 31 2022 No. (Audited)</i>	<i>March 31 2023 AED’000 (Unaudited)</i>	<i>December 31 2022 AED’000 (Audited)</i>
Held under the legal name of:				
- the Company	11,150,000	11,150,000	3,335	3,335
- the liquidity provider (on behalf of the Company)	17,004,277	35,619,293	14,777	20,710
Total	<u>28,154,277</u>	<u>46,769,293</u>	<u>18,112</u>	<u>24,045</u>

A cumulative gain of AED 13,795 thousand has been recognised at March 31, 2023 as Share Premium under equity out of which a net gain of AED 5,343 thousand is from the net disposal of shares during the current period (December 31, 2022: net gain of AED 8,452 thousand – Restated). In accordance with the signed agreement, the liquidity provider has partially funded the acquisition of the treasury shares (Note 13).

#### 10 OTHER RESERVES

Other reserves include reserve of AED 170,788 thousand arising on issuance of 256,183 shares of the Company at a discount against settlement of AED 85,394 thousand of liabilities (Note 2.2) whereby the Company had completed the requirement for capital increase effective September 29, 2022 with an increase from AED 1,019,209,250 to AED 1,275,391,250.

Other reserves also include AED 7,559 thousand equity adjustment on acquisition of non-controlling interest in 2022 representing the excess of purchase consideration over the net carrying value of non-controlling interest as at the date of acquisition.



Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

March 31, 2023

**11 INTEREST-BEARING BORROWINGS**

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Term loans (b)	211,176	232,492
Short-term loan	831	831
	<u>212,007</u>	<u>233,323</u>
Less: non-current portion	(154,396)	(157,889)
Current portion	<u>57,611</u>	<u>75,434</u>

**(a) Movement during the period/year**

The movement in interest-bearing borrowings was as follows:

	<i>Three months ended March 31, 2023 AED'000 (Unaudited)</i>	<i>Year ended December 31, 2022 AED'000 (Audited)</i>
At the beginning of the period/year	232,492	228,401
Add: amortization of arrangement fee	212	2,810
Add: amortization of discounted value	363	1,525
Add: availed during the period/year	-	226,920
Less: repaid during the period/year	(13,371)	(222,992)
Less: arrangement fee paid	-	(4,172)
Less: write back	(8,520)	-
	<u>211,176</u>	<u>232,492</u>

**(b) Term loans**

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Term loan I	17,225	23,147
Term loan II	7,815	11,050
Term loan III	186,136	198,295
	<u>211,176</u>	<u>232,492</u>

At December 31, 2022, the Group had defaulted the repayment of term loans I and II, and accordingly, the entire amount of the term loans was classified as current liability in the consolidated statement of financial position as at December 31, 2022.

During the current period, the Group agreed on a revised settlement plan with the lender according to which the Group settled an upfront payment of AED 1,000 thousand in addition to legal fees of AED 190 thousand, with the remaining amount of AED 25,000 thousand due for payment on June 1, 2023 plus interest of 3-month EIBOR + 3.5% per annum (minimum 5.5%) until the full and final settlement in case of any delay. However, the AED 25,000 thousand along with accrued interest were fully settled in April 2023.

On the basis of the revised settlement agreement, the Group wrote back AED 8,520 thousand of loan principal with relation to the two term loans and AED 10,941 thousand with respect to the related accrued interest, which were recorded under other non-operating income in profit or loss (Note 19).

## Gulf Navigation Holding PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

#### 11 INTEREST-BEARING BORROWINGS (continued)

Term loan III has been obtained in 2022 part of a refinancing arrangement with a financial institution to restructure the Group's borrowings. In accordance with the arrangement, the Group borrowed AED 226,920 thousand and partially utilized the proceeds to fully settle two other term loans. The Group incurred arrangement fee of AED 4,172 thousand, which is being amortised over the term of the loan of 5 years. The loan is subject to compliance with certain financial covenants on quarterly basis, which are all met as at March 31, 2023 (2022: all met).

#### 12 ISLAMIC NON-CONVERTIBLE SUKUK

On January 16, 2020 the Board of Directors passed a resolution to issue 125 million Islamic non-convertible sukuk (the "Sukuk") amounting to AED 125,000 thousand (AED 1 per Sukuk) in compliance with Islamic Shari'a and by way of a private placement. The Group had obtained approvals on March 12, 2020 from the regulatory authority and on March 29, 2020 from the shareholders at a General Assembly Meeting to issue the Sukuk, which carry profit of 12% per annum payable semi-annually with a maturity term of 5 years.

In 2020, Sukuk amounting to AED 87,572 thousand have been subscribed and the related cash proceeds were received by the Group. Cost of issuance of Sukuk amounting to AED 9,915 thousand was offset against its principal amount and is being unwound over the contractual period of the Sukuk.

In 2022, holders of Sukuk amounting to AED 50,540 thousand along with accrued interest until March 31, 2022 of AED 11,565 thousand agreed to settle the Sukuk by way of issuing Mandatorily Convertible Bonds and conversion of the same to shares in the Company (Note 2.2).

The movements in Sukuk are as follows:

	<i>March 31 2023 AED'000 Unaudited</i>	<i>December 31 2022 AED'000 Audited</i>
Balance at 1 January	34,983	81,385
Conversion to Mandatory convertible bonds	-	(50,541)
Amortisation of the arrangement fee	460	1,839
Amortisation of the arrangement fee related to conversion to Mandatory convertible bonds	-	2,300
	<u>35,443</u>	<u>34,983</u>

On February 14, 2023, the representative of Sukuk holders (the 'Representative') has sent an event of default notice to the Company in relation to default in payment of periodic distribution amount as per the terms of the underlying agreements related to the issuance of Sukuk (the "Terms"). Accordingly, the Representative has demanded and claimed the dissolution distribution amount and delegate liabilities sum, being USD 14,804 thousand (equivalent AED 54,183 thousand). Further, the Securities and Commodities Authority (SCA) through their letter dated March 24, 2023 has requested clarification from the Group in relation to such default. Management of the Group has assessed that the claims made by the Representative are not valid and is of the view that the liability recorded in the interim condensed consolidated financial statements of the Group is in accordance with the Terms and will be settled when due as per the Terms. This assessment was communicated by the management to SCA through a letter dated March 24, 2023. Notwithstanding, the entire amount of the Sukuk liability (net of unamortised arrangement fees) has been classified as current liability and the related accrued interest is included under trade and other payables (Note 13) in the interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

March 31, 2023

**13 TRADE AND OTHER PAYABLES**

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited) (Restated)</i>
Accruals, provisions and other payables	29,473	18,417
Trade payables	26,664	22,091
Accrued interest on Sukuk	12,050	10,954
Advances from customers	11,393	11,501
Dividend payable (Note 7)	10,470	10,470
Accrued interest on borrowings	-	10,946
Tax accrual	1,373	3,812
Payable to liquidity provider (Note 9)	-	7,594
	<u>91,423</u>	<u>95,785</u>

During 2022, the Company issued Mandatorily Convertible Bonds against the settlement of creditor balances of AED 12,450 thousand, which were also converted to shares in the Company (Note 2.2).

**14 RELATED PARTY TRANSACTIONS**

**Key management personnel remuneration**

	<i>Three months ended 31 March</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Short-term benefits	771	1,106
Post-employment benefits	85	32

**Other related party transaction**

During 2022, the Company issued Mandatorily Convertible Bonds against the settlement of short-term loans from related parties amounting to AED 10,838 thousand, which were also converted to shares in the Company (Note 2.2).

**15 COMMITMENTS AND CONTINGENCIES**

**Group 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 rentals receivable under the non-cancellable operating leases are as follows:

	<i>March 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Within one year	108,475	99,043
After one year but no more than five years	62,128	33,763
	<u>170,603</u>	<u>132,806</u>

**Contingencies**

The Company and its subsidiaries do not have any contingent liabilities at the reporting date (2022: AED 5,952 thousand)

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

March 31, 2023

**16 REVENUE**

	<i>Three months ended March 31</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
<i>Over time</i>		
Vessel chartering	36,910	30,745
<i>At a point in time</i>		
Shipping and technical services	1,973	4,323
	<u>38,883</u>	<u>35,068</u>

**17 DIRECT COSTS**

	<i>Three months ended March 31</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
<i>Vessel chartering:</i>		
Ship running - vessels	21,000	13,150
Depreciation of vessels, property and equipment (Note 4e)	9,935	10,107
Ship running - crew boats	1,488	1,293
Ship repairs	215	420
<i>Shipping and technical services:</i>		
Operating expenses	507	3,141
	<u>33,145</u>	<u>28,111</u>

**18 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Three months ended March 31</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Staff costs	2,295	1,799
Professional fees	930	479
Depreciation of vessels, property and equipment (Note 4e)	160	112
Others	1,219	2,153
	<u>4,604</u>	<u>4,543</u>

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

March 31, 2023

**19 OTHER NON-OPERATING INCOME**

	<i>Three months ended March 31</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Write back of loans and related accrued interest (Note 11b)	19,461	-
Liabilities no longer required written back	-	8,520
	<u>19,461</u>	<u>8,520</u>

**20 FINANCE COSTS**

	<i>Three months ended March 31</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Finance cost on:		
- Term loans	4,642	4,992
- Islamic non-convertible Sukuk	1,096	3,051
- Short-term loan	-	351
Other charges	900	261
	<u>6,638</u>	<u>8,655</u>

**21 BASIC AND DILUTED EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share has been based on the profit for the period attributable to the equity holders of the Company and weighted average number of ordinary shares outstanding during the period.

	<i>Three months ended March 31</i>	
	<i>2023 (Unaudited)</i>	<i>2022 (Unaudited)</i>
Profit for the period attributable to the Owners of the Company (AED'000)	<u>13,499</u>	<u>1,658</u>
Weighted average number of ordinary shares* (Note 11)	<u>1,248,909,929</u>	<u>1,019,209,250</u>
Basic and diluted earnings per share (AED)	<u>0.011</u>	<u>0.002</u>

\* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares during the period.

## Gulf Navigation Holding PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

#### 22 CORRECTION OF ERROR AND COMPARATIVE INFORMATION

The Group restated the comparative information to correct the accounting treatment of gains from treasury shares that were previously included in profit or loss, and rather recorded such gains directly in equity in accordance with IAS 32 *Financial Instruments*. The error has been corrected by restating each of the affected financial statement line items for the prior period.

In addition, certain amounts have been reclassified in the interim consolidated statement of financial position, to conform with the current period's classification.

Furthermore, the Group made changes in the reporting segments following changes in internal reporting (Note 3).

The impact of the correction of error and reclassification is as follows:

Impact on the interim consolidated statement of financial position (December 31, 2022)	<i>As previously reported</i>	<i>Effect of restatement and reclassification</i>	<i>As currently reported</i>
Trade and other receivables	25,528	(7,732)	17,796
<b>Total assets</b>	<b>792,349</b>	<b>(7,732)</b>	<b>784,617</b>
Trade and other payables	99,688	(3,903)	95,785
<b>Total liabilities</b>	<b>369,205</b>	<b>(3,903)</b>	<b>365,302</b>
Share premium	-	8,452	8,452
Accumulated losses	(666,878)	(12,281)	(679,159)
<b>Total equity</b>	<b>423,144</b>	<b>(3,829)</b>	<b>419,315</b>

The correction of error did not have any impact on the interim consolidated statements of comprehensive income and cash flows for the three months period ended March 31, 2022.

#### 23 CORPORATE TAX IN THE UAE

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from June 1, 2023 and accordingly, it has an income tax related impact on the interim condensed consolidated financial statements for accounting periods beginning on or after June 1, 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing January 1, 2024. Management is in the process of assessing the deferred tax implication on the Group. In addition, certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

**24 ASSET HELD FOR SALE**

On March 22, 2023, the Board of Directors approved the disposal of the vessel 'Gulf Mishref' having a carrying amount of AED 74,427 thousand at the reporting date (Note 4), which was reclassified to asset held for sale in the interim consolidated statement of financial position as at March 31, 2023 having met the requirements of IFRS 5, and accordingly, the asset has been stated at the lower of its carrying amount and its fair value less costs to sell, which did not result in any adjustment to its carrying amount.

Subsequent to the period ended March 31, 2023, the Group signed a sale agreement with a third party for the sale of the vessel for a cash consideration of USD 27,000 thousand (equivalent to AED 99,157 thousand), which was approved by the Board of Directors in its meeting dated April 24, 2023. The sale transaction was completed on April 27, 2023, the proceeds of which were partially utilized to settle interest-bearing borrowings (Note 11).