

**Gulf Navigation Holding PJSC
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2023

Gulf Navigation Holding PJSC and its subsidiaries

Interim condensed consolidated financial statements June 30, 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 June 30, 2023, and the related interim consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the six 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 23 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 23 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 23 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 six months ended June 30, 2022, were reviewed by another auditor who expressed an unmodified conclusion on those statements on August 12, 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.



Grant Thornton

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**

July 13, 2023

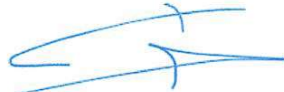
Gulf Navigation Holding PJSC and its subsidiaries
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2023

	Notes	June 30, 2023 AED'000 (Unaudited)	December 31, 2022 AED'000 (Audited) (Restated)
ASSETS			
Non-current assets			
Vessels, property and equipment	4	495,452	587,121
Goodwill	5	143,463	143,463
Total non-current assets		638,915	730,584
Current assets			
Inventories		7,700	7,966
Trade and other receivables	6	71,097	17,796
Financial assets at fair value through profit or loss	7	15,197	-
Cash and bank balances	8	25,609	28,271
Total current assets		119,603	54,033
TOTAL ASSETS		758,518	784,617
EQUITY AND LIABILITIES			
Equity			
Share capital	9	637,696	1,275,391
Share premium	10	43,380	8,452
Treasury shares	10	(19,243)	(24,045)
Statutory reserve		-	19,747
Retained earnings/(accumulated losses)		6,068	(679,159)
Other reserves	11	(181,071)	(181,071)
Total equity		486,830	419,315
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	12	112,201	157,889
Provision for employees' end-of-service benefits		1,137	1,211
Total non-current liabilities		113,338	159,100
Current liabilities			
Interest-bearing borrowings	12	24,023	75,434
Islamic non-convertible Sukuk	13	35,903	34,983
Trade and other payables	14	98,424	95,785
Total current liabilities		158,350	206,202
Total liabilities		271,688	365,302
TOTAL EQUITY AND LIABILITIES		758,518	784,617

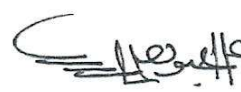
The interim condensed consolidated financial statements were approved by the Board of Directors on July 13, 2023 and signed on its behalf by:



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 six months ended June 30, 2023

	Notes	Six months ended June 30,		Three months ended June 30,	
		2023	2022	2023	2022
		AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)
Revenue	17	64,879	72,345	25,898	37,277
Direct costs	18	(54,206)	(60,134)	(21,061)	(32,023)
GROSS PROFIT		10,673	12,211	4,837	5,254
General and administrative expenses	19	(12,726)	(7,744)	(8,282)	(3,201)
Other operating income	4	24,834	10	24,834	10
OPERATING PROFIT		22,781	4,477	21,389	2,063
Other non-operating income	20	20,734	9,709	1,273	1,189
Finance costs	21	(14,815)	(15,723)	(8,176)	(7,068)
PROFIT / (LOSS) BEFORE INCOME TAX		28,700	(1,537)	14,486	(3,816)
Income tax		(915)	(915)	(458)	(457)
PROFIT / (LOSS) FOR THE PERIOD		27,785	(2,452)	14,028	(4,273)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		27,785	(2,452)	14,028	(4,273)
Profit / (loss) and total comprehensive income / (loss) attributable to:					
Owners of the Company		27,785	(2,531)	14,028	(4,189)
Non-controlling interests		-	79	-	(84)
		27,785	(2,452)	14,028	(4,273)
Earnings per share attributable to Owners of the Company					
Basic and diluted (AED)	22	0.025	(0.0025)	0.012	(0.0041)

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 six months ended June 30, 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) / retained earnings 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
Treasury shares (Note 10)	-	-	(335)	-	-	-	(335)	-	(335)
Total comprehensive loss for the period	-	-	-	-	(2,531)	-	(2,531)	79	(2,452)
Balance at June 30, 2022 – Unaudited	1,019,209	-	(335)	19,747	(671,440)	(2,724)	364,457	10,227	374,684
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	-	-	-	-	27,785	-	27,785	-	27,785
Capital reduction and absorption of losses (Note 9)	(637,695)	-	-	(19,747)	657,442	-	-	-	-
Treasury shares (Note 10)	-	34,928	4,802	-	-	-	39,730	-	39,730
Balance at June 30, 2023 – Unaudited	637,696	43,380	(19,243)	-	6,068	(181,071)	486,830	-	486,830

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 six months ended June 30, 2023

		<i>Six months ended June 30</i>	
	<i>Notes</i>	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
OPERATING ACTIVITIES			
Profit/(loss) before income tax		28,700	(1,537)
<i>Adjustments for:</i>			
Depreciation of vessels, property and equipment	4	17,031	20,503
Depreciation of right-of-use assets		-	192
Provision for employees' end of service benefits		20	82
Gain on sale of a vessel	4	(24,834)	-
Write-back of liabilities	20	(19,461)	(9,709)
Allowance for expected credit losses	19	1,000	-
Change in fair value of financial assets at FVTPL	7	(896)	-
Finance costs		14,815	15,723
		<u>16,375</u>	<u>25,254</u>
<i>Working capital changes</i>			
Inventories		266	2,112
Trade and other receivables		(23,191)	(855)
Trade and other payables		9,139	1,207
		<u>2,589</u>	<u>27,718</u>
Cash from operations		(99)	(35)
Employees' end of service benefits paid			
		<u>2,490</u>	<u>27,683</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Investments in financial assets at FVTPL	7	(16,924)	-
Proceeds from disposal of financial assets at FVTPL	7	2,623	-
Proceeds from sale of a vessel	4	99,472	-
		<u>85,171</u>	<u>-</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Arrangement fee paid		-	(453)
Repayment of interest-bearing borrowings		(90,210)	(25,932)
Advance to broker for settlement of Sukuk	13	(31,110)	-
Proceeds from interest-bearing borrowings		-	10,065
Interest paid		(8,733)	(9,155)
Movement in treasury shares, net		39,730	(335)
Payment of lease liabilities		-	(192)
Net movement in restricted cash		-	1
		<u>(90,323)</u>	<u>(26,001)</u>
Net cash flows used in financing activities			
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(2,662)	1,682
Cash and cash equivalents at the beginning of the period		17,801	9,740
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	15,139	11,422

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 June 30, 2023

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 39th 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 24 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 six-month period ended June 30, 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 six-month period ended June 30, 2023 may not be 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 operating and non-operating income of AED 45,568 thousand, incurred a loss of AED 17,783 thousand for the six-month period ended June 30, 2023.

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 9.

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.

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

2.2 Going concern (continued)

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, 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, except for financial assets at fair value through profit or loss, which have been carried at fair value using Level 1 category of fair value measurement.

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

June 30, 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.

Six-month ended June 30, 2023 – Unaudited

	Vessel chartering AED'000	Shipping and technical services AED'000	Corporate AED'000	Inter- segment elimination AED'000	Total AED'000
Revenue	61,909	3,006	200	(236)	64,879
Direct costs	(52,352)	(2,090)	-	236	(54,206)
General and administrative expenses	(850)	(2,673)	(9,395)	192	(12,726)
Other income	45,733	27	-	(192)	45,568
Finance costs	(12,304)	(5)	(2,506)	-	(14,815)
Income tax	(915)	-	-	-	(915)
Segment profit / (loss)	41,221	(1,735)	(11,701)	-	27,785
At June 30, 2023 – Unaudited					
Segment assets	603,085	14,150	142,733	(1,450)	758,518
Segment liabilities	(198,422)	(5,030)	(69,578)	1,342	(271,688)

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

3 OPERATING SEGMENTS (continued)

Six-month ended June 30, 2022 – Unaudited Restated

	<i>Vessel chartering AED'000</i>	<i>Shipping and technical services AED'000</i>	<i>Corporate AED'000</i>	<i>Inter- segment elimination AED'000</i>	<i>Total AED'000</i>
Revenue	64,698	8,119		(472)	72,345
Direct costs	(54,592)	(6,014)		472	(60,134)
General and administrative expenses	(1,186)	(1,683)	(5,259)	384	(7,744)
Other income	9,715	4	384	(384)	9,719
Finance costs	(10,694)	-	(5,029)	-	(15,723)
Income tax	(915)	-	-	-	(915)
Segment profit / (loss)	7,026	426	(9,904)	-	(2,452)

At December 31, 2022 – Audited Restated

Segment assets	712,227	17,786	55,693	(1,089)	784,617
Segment liabilities	(180,528)	(29,864)	(156,560)	1,650	(365,302)

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

4 VESSELS, PROPERTY AND EQUIPMENT

- (a) During the six-month period ended June 30, 2023, the Group did not purchase any vessels, property and equipment (December 31, 2022: Nil except for capital expenditure towards major repairs of one of the vessels amounting to AED 1,512 thousand).
- (b) Vessels with a carrying value of AED 413,636 thousand (December 31, 2022: AED 534,153 thousand) are mortgaged as security against interest-bearing borrowings (Note 12).
- (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 June 30, 2023, management did not identify any indications that vessels, property and equipment may be impaired.
- (d) During the six-month period ended June 30, 2023, the Group sold a vessel with a carrying amount of AED 74,638 thousand for a cash consideration of AED 99,472 thousand resulting in a gain of AED 24,834 thousand.
- (e) Depreciation expense has been allocated as follows:

	<i>Six months ended June 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Direct costs* (Note 18)	16,711	10,107
General and administrative expenses (Note 19)	320	112
	<u>17,031</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>June 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (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 June 30, 2023.

Gulf Navigation Holding PJSC and its subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2023

6 TRADE AND OTHER RECEIVABLES

	<i>June 30, 2023 AED'000 (Unaudited)</i>	<i>December 31, 2022 AED'000 (Audited) (Restated)</i>
Trade receivables	28,033	13,650
Less: allowance for expected credit losses (ECL)	(6,875)	(5,875)
	<u>21,158</u>	<u>7,775</u>
Advance to broker (Note X)	31,110	-
Advances to suppliers	5,332	2,196
Prepayments	8,925	3,243
Other receivables	4,572	4,582
	<u>71,097</u>	<u>17,796</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the six-month period ended June 30, 2022, the Group invested in quoted equity instruments listed in the UAE for trading purposes, and accordingly, have been classified as financial assets at fair value through profit or loss (FVTPL). The movement in the investments in financial assets at FVTPL is as follows:

	<i>June 30, 2023 AED'000 (Unaudited)</i>	<i>December 31, 2022 AED'000 (Audited)</i>
At the beginning of the period/year	-	-
Acquisitions	16,924	-
Change in fair value (Note 20)	896	-
Disposals	(2,623)	-
	<u>15,197</u>	<u>-</u>

8 CASH AND CASH EQUIVALENTS

	<i>June 30, 2023 AED'000 (Unaudited)</i>	<i>December 31, 2022 AED'000 (Audited)</i>
Cash on hand	138	136
Cash at banks	25,471	28,135
	<u>25,609</u>	<u>28,271</u>
Cash and bank balances	25,609	28,271
Less: restricted cash*	(10,470)	(10,470)
	<u>15,139</u>	<u>17,801</u>

* Represents cash held in certain bank accounts for payment of old outstanding unclaimed dividends (Note 14).

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

9 SHARE CAPITAL

	<i>June 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Authorised, issued, and fully paid up:		
637,695,625 shares (2022: 1,275,391,249 shares) of AED 1 each	<u>637,696</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 Capital Reduction was completed on May 22, 2023 and the statutory reserve was fully utilized for the partial absorption of accumulated losses as approved by the General Assembly and after obtaining the necessary regulatory approvals.
- (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.

10 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 provider on behalf and for the benefit of the Company.

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10 TREASURY SHARES (continued)

The details of the outstanding treasury shares at the reporting date are as follows:

	Number of shares		Acquisition cost of shares	
	<i>June 30 2023 No. (Unaudited)</i>	<i>December 31 2022 No. (Audited)</i>	<i>June 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Held under the legal name of:				
- the Company	575,000	11,150,000	334	3,335
- the liquidity provider	3,463,531	35,619,293	18,909	20,710
Total	<u>4,038,531</u>	<u>46,769,293</u>	<u>19,243</u>	<u>24,045</u>

A cumulative gain of AED 43,380 thousand has been recognised at June 30, 2023 as Share Premium under equity out of which a net gain of AED 34,928 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 14).

11 OTHER RESERVES

Other reserves include reserve of AED 170,788 thousand arising on issuance of 256,182 thousand 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.

12 INTEREST-BEARING BORROWINGS

	<i>June 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Term loans (b)	135,470	232,492
Short-term loan	754	831
	<u>136,224</u>	<u>233,323</u>
Less: non-current portion	(112,201)	(157,889)
Current portion	<u>24,023</u>	<u>75,434</u>

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12 INTEREST-BEARING BORROWINGS (continued)

(a) Movement during the period/year

The movement in interest-bearing borrowings was as follows:

	<i>Six months ended June 30, 2023 AED'000 (Unaudited)</i>	<i>Year ended December 31, 2022 AED'000 (Audited)</i>
At the beginning of the period/year	233,323	229,232
Add: amortization of arrangement fee	1,181	2,810
Add: amortization of discounted value	450	1,525
Add: availed during the period/year	-	226,920
Less: repaid during the period/year	(90,210)	(222,992)
Less: arrangement fee paid	-	(4,172)
Less: write back	(8,520)	-
	<u>136,224</u>	<u>233,323</u>

(b) Term loans

	<i>June 31 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Term loan I*	-	23,147
Term loan II*	-	11,050
Term loan III**	135,470	198,295
	<u>135,470</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 this basis, 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 20).

** 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 June 30, 2023 (2022: all met). Upon sale of a vessel during the period (Note 4), the related remaining portion of the term loan of AED 41.9 million was fully settled and the related unamortized portion of the arrangement fee was fully expensed under finance costs.

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13 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>June 30 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	920	1,839
Amortisation of the arrangement fee related to conversion to Mandatory convertible bonds	-	2,300
	<u>35,903</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 14) in the interim condensed consolidated financial statements.

During the six-month period ended June 30, 2023, the Group entered into a settlement agreement with the remaining Sukuk holders through a broker, which is not yet completed at the date of the issuance of these interim condensed consolidated financial statements and expected to finalize the cancellation of sukuk during the third quarter of 2023. The Group has deposited an amount of AED 31,110 thousand with the broker as advance towards such settlement (Note 6).

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14 TRADE AND OTHER PAYABLES

	<i>June 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited) (Restated)</i>
Trade payables	24,462	22,091
Accrued interest on Sukuk	13,211	10,954
Advances from customers	11,089	11,501
Dividend payable (Note 8)	10,470	10,470
Accruals, provisions and other payables	35,378	18,417
Accrued interest on bank borrowings	-	10,946
Tax accrual	1,373	3,812
Payable to liquidity provider (Note 10)	2,441	7,594
	<u>98,424</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).

15 RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	<i>Six months ended 30 June 2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Directors' fees (Note 19)	2,450	-
Short-term benefits	1,543	1,457
Post-employment benefits	106	-
	<u>4,099</u>	<u>1,457</u>

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).

16 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>June 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Within one year	83,894	99,043
After one year but no more than five years	62,395	33,763
	<u>146,289</u>	<u>132,806</u>

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16 COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

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

17 REVENUE

	<i>Six months ended June 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
<i>Over time</i>		
Vessel chartering	61,909	64,226
<i>At a point in time</i>		
Shipping and technical services	2,970	8,119
	<u>64,879</u>	<u>72,345</u>

18 DIRECT COSTS

	<i>Six months ended June 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
<i>Vessel chartering:</i>		
Ship running - vessels	30,652	30,626
Depreciation of vessels, property and equipment (Note 4e)	16,711	20,280
Ship running - crew boats	2,090	2,688
Ship repairs	429	525
<i>Shipping and technical services:</i>		
Operating expenses	4,324	6,015
	<u>54,206</u>	<u>60,134</u>

19 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Six months ended June 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Staff costs	4,825	3,667
Directors' fees (Note 15)	2,450	-
Professional fees	1,261	712
Expected credit losses on trade receivables	1,000	-
Depreciation of vessels, property and equipment (Note 4e)	320	112
Others	2,870	3,253
	<u>12,726</u>	<u>7,744</u>

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20 OTHER NON-OPERATING INCOME

	<i>Six months ended June 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Write back of loans and related accrued interest (Note 12b)	19,461	-
Change in fair value of financial assets at fair value through profit or loss (Note 7)	896	-
Liabilities no longer required written back	-	9,709
Others	377	-
	<u>20,734</u>	<u>9,709</u>

21 FINANCE COSTS

	<i>Six months ended June 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Finance cost on:		
- Term loans	11,255	9,742
- Islamic non-convertible Sukuk	2,293	4,772
- Short-term loan	-	770
Other charges	1,267	439
	<u>14,815</u>	<u>15,723</u>

22 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 Owners of the Company and weighted average number of ordinary shares outstanding during the period.

	<i>Six months ended June 30</i>	
	<i>2023 (Unaudited)</i>	<i>2022 (Unaudited)</i>
Profit / (loss) for the period attributable to the Owners of the Company (AED'000)	<u>27,785</u>	<u>(2,531)</u>
Weighted average number of ordinary shares* (Note 11)	<u>1,108,002,862</u>	<u>1,019,209,250</u>
Basic and diluted earnings per share (AED)	<u>0.025</u>	<u>(0.0025)</u>

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares and the Capital Reduction (Note 9) during the period.

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23 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 with no impact on the previously reported net assets of the Group.

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

The impact of the correction of error and reclassifications 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
Total assets	792,349	(7,732)	784,617
Trade and other payables	99,688	(3,903)	95,785
Total liabilities	369,205	(3,903)	365,302
Share premium	-	8,452	8,452
Accumulated losses	(666,878)	(12,281)	(679,159)
Total equity	423,144	(3,829)	419,315

The correction of error did not have any impact on the interim consolidated statements of comprehensive income for the six months and three months periods ended June 30, 2022 and on the interim consolidated statement of cash flows for the six months period ended June 30, 2022.

24 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.