

**Gulf Navigation Holding PJSC
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2023

Gulf Navigation Holding PJSC and its subsidiaries

Interim condensed consolidated financial statements September 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 September 30, 2023, and the related interim consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the nine 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 nine months ended September 30, 2022, were reviewed by another auditor who expressed an unmodified conclusion on those statements on November 4, 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)

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.

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

October 16, 2023

Dubai, United Arab Emirates


Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

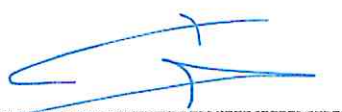
As at September 30, 2023

		September 30, 2023 AED'000 (Unaudited)	December 31, 2022 AED'000 (Audited) (Restated)
	Notes		
ASSETS			
Non-current assets			
Vessels, property and equipment	4	502,859	587,121
Goodwill	5	143,463	143,463
Total non-current assets		646,322	730,584
Current assets			
Inventories		9,047	7,966
Trade and other receivables	6	49,054	17,796
Financial assets at fair value through profit or loss	7	67,655	-
Cash and bank balances	8	227,663	28,271
Total current assets		353,419	54,033
TOTAL ASSETS		999,741	784,617
EQUITY AND LIABILITIES			
Equity			
Share capital	9	837,696	1,275,391
Share premium	9, 10	58,981	8,452
Treasury shares	10	(17,072)	(24,045)
Statutory reserve		-	19,747
Retained earnings/(accumulated losses)		12,943	(679,159)
Other reserves	11	(181,071)	(181,071)
Total equity		711,477	419,315
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	12	111,335	157,889
Provision for employees' end-of-service benefits		1,202	1,211
Total non-current liabilities		112,537	159,100
Current liabilities			
Interest-bearing borrowings	12	17,077	75,434
Islamic non-convertible Sukuk	13	3,028	34,983
Bank overdraft	8	90,000	-
Trade and other payables	14	65,622	95,785
Total current liabilities		175,727	206,202
Total liabilities		288,264	365,302
TOTAL EQUITY AND LIABILITIES		999,741	784,617

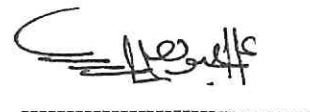
The interim condensed consolidated financial statements were approved by the Board of Directors on October 16, 2023 and signed on its behalf by:



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 nine months ended September 30, 2023

	Notes	Nine months ended September 30,		Three months ended September 30,	
		2023	2022	2023	2022
		AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)	AED'000 (Unaudited)
Revenue	17	83,060	104,093	18,181	31,748
Direct costs	18	(75,540)	(86,750)	(21,334)	(26,616)
GROSS PROFIT		7,520	17,343	(3,153)	5,132
General and administrative expenses	19	(14,459)	(10,329)	(1,733)	(2,585)
Other operating income	4	24,834	19,840	-	10,131
OPERATING PROFIT		17,895	26,854	(4,886)	12,678
Other non-operating income	20	39,095	829	18,361	819
Finance costs	21	(20,957)	(24,559)	(6,142)	(8,836)
PROFIT BEFORE INCOME TAX		36,033	3,124	7,333	4,661
Income tax		(1,373)	(1,373)	(458)	(458)
PROFIT FOR THE PERIOD		34,660	1,751	6,875	4,203
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		34,660	1,751	6,875	4,203
Profit and total comprehensive income attributable to:					
Owners of the Company		34,660	1,939	6,875	4,470
Non-controlling interests		-	(188)	-	(267)
		34,660	1,751	6,875	4,203
Earnings per share attributable to Owners of the Company					
Basic and diluted (AED)	22	0.036	0.0014	0.006	0.0033

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 nine months ended September 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	Mandatory convertible bonds and Sukuk 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)	-	10,148	377,471
Treasury shares (Note 10)	-	-	(14,696)	-	-	-	-	-	(14,696)
Total comprehensive income for the period	-	-	-	-	1,939	-	-	(188)	1,751
Liability holders issued mandatory convertible bonds (Note 2.2)	-	-	-	-	-	-	85,394	-	85,394
Shares issued to bond holders (Note 2.2)	256,182	-	-	-	-	(170,788)	(85,394)	-	-
Acquisition of non-controlling interest (Note 11)	-	-	-	-	(188)	(7,559)	-	(9,960)	(17,707)
Balance at September 30, 2022 – Unaudited	1,275,391	-	(14,696)	19,747	(667,158)	(181,071)	-	-	432,213
Balance at January 1, 2023 – Audited	1,275,391	-	(24,045)	19,747	(666,878)	(181,071)	-	-	423,144
Correction of error (Note 23)	-	8,452	-	-	(12,281)	-	-	-	(3,829)
Balance at January 1, 2023 – Audited Restated	1,275,391	8,452	(24,045)	19,747	(679,159)	(181,071)	-	-	419,315
Total comprehensive income for the period	-	-	-	-	34,660	-	-	-	34,660
Capital reduction and absorption of losses (Note 9)	(637,695)	-	-	(19,747)	657,442	-	-	-	-
Treasury shares (Note 10)	-	30,529	6,973	-	-	-	-	-	37,502
Issuance of mandatory convertible Sukuk (Note 9)	-	-	-	-	-	-	220,000	-	220,000
Shares issued to Sukuk holders (Note 9)	200,000	20,000	-	-	-	-	(220,000)	-	-
Balance at September 30, 2023 – Unaudited	837,696	58,981	(17,072)	-	12,943	(181,071)	-	-	711,477

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 nine months ended September 30, 2023

		<i>Nine months ended September 30</i>	
	<i>Notes</i>	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
OPERATING ACTIVITIES			
Profit before income tax		36,033	3,124
<i>Adjustments for:</i>			
Depreciation of vessels, property and equipment	4	14,533	30,852
Depreciation of right-of-use assets		-	192
Provision for employees' end of service benefits		90	119
Gain on sale of a vessel	4	(24,834)	-
Write-back of liabilities	20	(37,530)	(19,049)
Allowance for expected credit losses	19	1,000	-
Change in fair value of financial assets at FVTPL	7	(850)	-
Income on discounting of financial liability to present value		-	(191)
Finance costs		20,957	24,559
		<u>9,399</u>	<u>39,606</u>
<i>Working capital changes</i>			
Inventories		(1,081)	2,091
Trade and other receivables		(33,658)	(6,424)
Trade and other payables		(1,158)	(11,285)
		<u>(26,498)</u>	<u>23,988</u>
Cash (used in) / from operations		(99)	(135)
Employees' end of service benefits paid			
		<u>(26,597)</u>	<u>23,853</u>
Net cash flows (used in) / from operating activities			
INVESTING ACTIVITIES			
Investments in financial assets at FVTPL	7	(78,912)	-
Acquisition of non-controlling interest		-	(915)
Proceeds from disposal of financial assets at FVTPL	7	12,107	-
Proceeds from sale of a vessel	4	99,472	(1,512)
Repair of a vessel	4	(4,909)	-
Placement of fixed deposits	8	(200,000)	-
		<u>(172,242)</u>	<u>(2,427)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Arrangement fee paid		-	(4,172)
Repayment of interest-bearing borrowings		(98,309)	-
Settlement of Islamic non-convertible Sukuk	13	(28,443)	-
Proceeds from interest-bearing borrowings		-	28,670
Interest paid		(12,049)	(9,400)
Movement in treasury shares, net		37,502	(14,696)
Payment of lease liabilities		-	(192)
Net movement in restricted cash		-	4,278
Proceeds from issuance of mandatory convertible Sukuk		220,000	-
		<u>118,701</u>	<u>4,488</u>
Net cash flows from financing activities			
NET (DECREASE) / INCREASE		(80,138)	25,914
IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		17,801	9,740
CASH AND CASH EQUIVALENTS			
AT THE END OF THE PERIOD		(62,337)	35,654

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 September 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 nine-month period ended September 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 nine-month period ended September 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 63,929 thousand, incurred a loss of AED 29,269 thousand for the nine-month period ended September 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.

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, and accordingly, at the General Assembly Meeting held on September 11, 2023, the shareholders approved the issuance of 220 million mandatory convertible Sukuk, which have also been converted to share capital at a conversion price of AED 1.10 (Note 9) providing the Group sufficient cash flow for investment and operating activities in addition to settlement of existing liabilities.

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
September 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.

Nine-month ended September 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	78,515	4,582	200	(236)	83,061
Direct costs	(72,867)	(2,909)	-	236	(75,540)
General and administrative expenses	(1,337)	(2,834)	(10,480)	192	(14,459)
Other income	45,750	27	18,343	(192)	63,928
Finance costs	(17,181)	(5)	(3,771)	-	(20,957)
Income tax	(1,373)	-	-	-	(1,373)
Segment profit / (loss)	31,507	(1,139)	4,292	-	34,660

At September 30, 2023 – Unaudited

Segment assets	702,100	16,210	282,755	(1,324)	999,741
Segment liabilities	(250,799)	(1,265)	(38,065)	1,865	(288,264)

Gulf Navigation Holding PJSC and its subsidiaries

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

3 OPERATING SEGMENTS (continued)

Nine-month ended September 30, 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	95,964	8,751		(622)	104,093
Direct costs	(81,028)	(6,344)	-	622	(86,750)
General and administrative expenses	(858)	(2,525)	(6,370)	(576)	(10,329)
Other income	11,259		8,834	576	20,669
Finance costs	(17,377)	-	(7,182)	-	(24,559)
Income tax	(1,373)	-	-	-	(1,373)
Segment profit / (loss)	6,587	(118)	(4,718)	-	1,751

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 September 30, 2023

4 VESSELS, PROPERTY AND EQUIPMENT

- (a) During the nine-month period ended September 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 4,909 thousand).
- (b) Vessels with a carrying value of AED 421,126 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 September 30, 2023, management did not identify any indications that vessels, property and equipment may be impaired.
- (d) During the nine-month period ended September 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>Nine months ended September 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Direct costs* (Note 18)	14,204	30,520
General and administrative expenses (Note 19)	329	332
	<u>14,533</u>	<u>30,852</u>

* Includes depreciation related to dry-docking costs of AED 7,148 thousand (2022: AED 3,910 thousand)

5 GOODWILL

	<i>September 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 September 30, 2023.

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023

6 TRADE AND OTHER RECEIVABLES

	<i>September 30, 2023 AED'000 (Unaudited)</i>	<i>December 31, 2022 AED'000 (Audited) (Restated)</i>
Trade receivables	22,495	13,650
Less: allowance for expected credit losses (ECL)	(6,875)	(5,875)
	<u>15,620</u>	<u>7,775</u>
Advances to suppliers	23,573	2,196
Prepayments	6,347	3,243
Other receivables	3,514	4,582
	<u>49,054</u>	<u>17,796</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the nine-month period ended September 30, 2022, the Group invested in quoted equity instruments listed in the UAE for trading purposes, and accordingly, these investments 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>September 30, 2023 AED'000 (Unaudited)</i>	<i>December 31, 2022 AED'000 (Audited)</i>
At the beginning of the period/year	-	-
Acquisitions	78,912	-
Change in fair value (Note 20)	850	-
Disposals	(12,107)	-
	<u>67,655</u>	<u>-</u>

8 CASH AND CASH EQUIVALENTS

	<i>September 30, 2023 AED'000 (Unaudited)</i>	<i>December 31, 2022 AED'000 (Audited)</i>
Cash on hand	79	136
Cash at banks	211,691	28,135
Cash balance held with the liquidity provider (Note 10)	15,893	-
Cash and bank balances	<u>227,663</u>	<u>28,271</u>
Less: restricted cash*	-	(10,470)
Less: bank overdraft**	(90,000)	-
Less: fixed deposit with initial maturity of more than 3 months**	(200,000)	-
Cash and cash equivalents	<u>(62,337)</u>	<u>17,801</u>

* Represents cash held in certain bank accounts for payment of old outstanding unclaimed dividends (Note 14), which were transferred to the Securities and Commodities Authority ("SCA") in 2023 as instructed by SCA.

** During the third quarter of 2023, the Group placed AED 200 million as fixed term deposit with a local bank with interest rate of 5% per annum and 1-year maturity. During the same period, the Group has obtained a bank overdraft facility secured by the fixed deposit, which is primarily being utilized for working capital financing with interest rate of 0.75% over the highest rate payable on pledged deposits.

Gulf Navigation Holding PJSC and its subsidiaries

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

9 SHARE CAPITAL

	<i>September 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Authorised, issued, and fully paid up:		
837,695,625 shares (2022: 1,275,391,249 shares) of AED 1 each	<u>837,696</u>	<u>1,275,391</u>

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

At the General Assembly Meeting held of September 11, 2023, the Company's shareholders, through special resolutions, approved the issuance of 220 million mandatory convertible Sukuk to new investors to 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. The Capital Increase was completed on September 15, 2023 resulting in a share premium of AED 20,000 thousand. The Company is in the process of updating its Articles of Association to reflect the increase in share capital.

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.

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

	Number of shares		Acquisition cost of shares	
	<i>September 30 2023 No. (Unaudited)</i>	<i>December 31 2022 No. (Audited)</i>	<i>September 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	2,302,470	35,619,293	16,737	20,710
Total	<u>2,877,470</u>	<u>46,769,293</u>	<u>17,071</u>	<u>24,045</u>

Gulf Navigation Holding PJSC and its subsidiaries

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

10 TREASURY SHARES (continued)

A cumulative gain of AED 38,981 thousand has been recognised at September 30, 2023 as Share Premium under equity out of which a net gain of AED 30,529 thousand is from the net disposal of shares during the current period (year ended 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.

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>September 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited)</i>
Term loans (b)	127,658	232,492
Short-term loan	754	831
	<u>128,412</u>	<u>233,323</u>
Less: non-current portion	(111,335)	(157,889)
	<u>17,077</u>	<u>75,434</u>

(a) Movement during the period/year

The movement in interest-bearing borrowings was as follows:

	<i>Nine months ended September 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	1,468	2,810
Add: amortization of discounted value	450	1,525
Add: availed during the period/year	-	226,920
Less: repaid during the period/year	(98,309)	(222,992)
Less: arrangement fee paid	-	(4,172)
Less: write back	(8,520)	-
	<u>128,412</u>	<u>233,323</u>

(b) Term loans

	<i>September 30 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**	127,658	198,295
	<u>127,658</u>	<u>232,492</u>

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12 INTEREST-BEARING BORROWINGS (continued)

* 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 September 30, 2023 (2022: all met). Upon sale of a vessel during the current 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.

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 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>September 30 2023 AED'000 Unaudited</i>	<i>December 31 2022 AED'000 Audited</i>
Balance at 1 January	34,983	81,385
Settlement (refer below)	(33,028)	(50,541)
Amortisation of the arrangement fee	1,073	1,839
Amortisation of the arrangement fee related to conversion to Mandatory convertible bonds	-	2,300
	<u>3,028</u>	<u>34,983</u>

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13 ISLAMIC NON-CONVERTIBLE SUKUK (continued)

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. On September 15, 2023, Management successfully settled with the Sukuk holders an outstanding Sukuk amount AED 33,028 thousand and the related accrued interest amount of AED 13,484 at an agreed aggregate settlement amount of AED 28,443 thousand resulting in a gain on settlement of Sukuk of AED 18,069 thousand recognized under other non-operating income (Note 20) during the current period.

14 TRADE AND OTHER PAYABLES

	<i>September 30 2023 AED'000 (Unaudited)</i>	<i>December 31 2022 AED'000 (Audited) (Restated)</i>
Trade payables	33,005	22,091
Accrued interest on Sukuk	-	10,954
Advances from customers	4,950	11,501
Dividend payable (Note 8)	-	10,470
Accruals, provisions and other payables	26,294	18,417
Accrued interest on bank borrowings	-	10,946
Tax accrual	1,373	3,812
Payable to liquidity provider (Note 10)	-	7,594
	<u>65,622</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 converted to shares in the Company (Note 2.2).

15 RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	<i>Nine months ended 30 September</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Directors' fees (Note 19)	2,450	-
Short-term benefits	2,315	1,750
Post-employment benefits	128	81
	<u>4,893</u>	<u>1,831</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 converted to shares in the Company (Note 2.2).

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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>September 30</i> <i>2023</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>December 31</i> <i>2022</i> <i>AED'000</i> <i>(Audited)</i>
Within one year	59,314	99,043
After one year but no more than five years	62,395	33,763
	<u>121,709</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).

17 REVENUE

	<i>Nine months ended</i> <i>September 30</i>	
	<i>2023</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2022</i> <i>AED'000</i> <i>(Unaudited)</i>
<i>Services transferred over time</i>		
Vessel chartering	78,335	95,342
<i>Services transferred at a point in time</i>		
Shipping and technical services	4,725	8,751
	<u>83,060</u>	<u>104,093</u>

18 DIRECT COSTS

	<i>Nine months ended</i> <i>September 30</i>	
	<i>2023</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2022</i> <i>AED'000</i> <i>(Unaudited)</i>
<i>Vessel chartering:</i>		
Ship running - vessels	54,266	45,016
Depreciation of vessels, property and equipment (Note 4e)	14,204	30,520
Ship running - crew boats	3,390	4,052
Ship repairs	435	818
<i>Shipping and technical services:</i>		
Operating expenses	3,245	6,344
	<u>75,540</u>	<u>86,750</u>

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September 30, 2023

19 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine months ended September 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Staff costs	7,811	4,998
Directors' fees (Note 15)	2,450	-
Professional fees	1,854	1,401
Expected credit losses on trade receivables	1,000	-
Depreciation of vessels, property and equipment (Note 4e)	329	-
Others	1,015	3,930
	<u>14,459</u>	<u>10,329</u>

20 OTHER NON-OPERATING INCOME

	<i>Nine months ended September 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	-
Gain of settlement of Sukuk (Note 13)	18,069	-
Change in fair value of financial assets at FVTPL (Note 7)	850	-
Others	715	829
	<u>39,095</u>	<u>829</u>

21 FINANCE COSTS

	<i>Nine months ended September 30</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Finance cost on:		
- Term loans	12,013	13,056
- Amortisation of arrangement fees	4,585	4,495
- Islamic non-convertible Sukuk	3,966	5,044
- Short-term loan	-	1,204
Other charges	393	760
	<u>20,957</u>	<u>24,559</u>

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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>Nine months ended September 30</i>	
	<i>2023 (Unaudited)</i>	<i>2022 (Unaudited)</i>
Profit for the period attributable to the Owners of the Company (AED'000)	<u>34,660</u>	<u>1,751</u>
Weighted average number of ordinary shares* (Note 10)	<u>959,282,697</u>	<u>1,275,391,249</u>
Basic and diluted earnings per share (AED)	<u>0.036</u>	<u>0.0014</u>

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

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 statements of financial position and comprehensive income to conform with the current period's classification with no impact on the previously reported net assets and results 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	<u>792,349</u>	<u>(7,732)</u>	<u>784,617</u>
Trade and other payables	99,688	(3,903)	95,785
Total liabilities	<u>369,205</u>	<u>(3,903)</u>	<u>365,302</u>
Share premium	-	8,452	8,452
Accumulated losses	(666,878)	(12,281)	(679,159)
Total equity	<u>423,144</u>	<u>(3,829)</u>	<u>419,315</u>

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