



of the Company through the cancellation of 637,695,625 shares in the Company with the nominal valued of AED 1 (the "capital reduction") on a pro rata basis to absorb the accumulated losses amounting to AED 637,696 thousand and a private issuance of 220 million mandatory convertible bonds ("MCBs") to new investors which will be converted to 200 million shares at a conversion price of AED 1.10 and the increase in the share capital of the Company to become AED 837,696 thousand [Note 35].

The Group has received, through an investment banker, interest from potential key investors which will provide

DIRECTORS

The Directors of the Company during the year were as follows:

Sheikh Theyab Bin Tahnoon Bin Mohammad Al Nahyan (Chairman)

Eng. Abdulla Subhi Ahmed Atatreh (Vice-Chairman)

Mr. Ahmad Mohamed Fathi Kilani (Managing Director)

liquidity of up to AED 220,000 thousand, which will provide sufficient cashflow 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.

Whilst the shareholders have resolved to continue the operations of the Group in the General Meeting held on 29 April 2021 as required by Article 309 of the Federal Law No. 32 of 2021, the timing and realisation of the above matters are not within management's control.

Dr. Abdulaziz Fahad H. Alongary

Dr. Abdul Rahman Mahmoud Abdul Rahman Mohamad Al Afifi

Ms. Manwa Alaa Al Brich

Mr. Omar Saeed Al Romaithi

AUDITORS

The consolidated financial statements of the Group have been audited by Ernst & Young.

Signed by:

Dr. Abdul Rahman Al Afifi

Ahmad "M.F." A. Al Kilani

Ali Abouda

Board Member

Board Member

Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC



Ernst & Young Middle East
(Dubai Branch)
P.O. Box 9267
ICD Brookfield Place, Ground Floor
Al-Mustaqbal Street
Dubai International Financial Centre
Emirate of Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004

dubai@ae.ey.com

ey.com

PL No. 108937

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED OPINION

We have audited the consolidated financial statements of Gulf Navigation Holding PJSC (the "Parent Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in paragraph a of the Basis for Qualified Opinion section of our report and the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

BASIS FOR QUALIFIED OPINION

As further described in Note 24, the Group's profit for the year ended 31 December 2022 includes a net income of AED 12,036 thousand from trading of its own equity instruments ("treasury shares"). As per IAS 32, no gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. As a result, the Group's profit for the year ended 31 December 2022 has been overstated by AED 12,036 thousand.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical and independence requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, concerning the Group's ability to continue as a going concern. The Group, excluding liabilities no longer required written back of AED 19,707 thousand and Other income of AED 12,776 thousand, incurred a loss of AED 27,818 thousand for the year ended 31 December 2022 (2021: excluding the income from insurance claim of AED 85,759 thousand and liabilities no longer required written back of AED 6,661 thousand, incurred a loss of AED 35,532 thousand (restated)) and, as of that date, the Group's current liabilities exceeded its current assets by AED 148,340 thousand (2021: AED 130,508 thousand (restated)).

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

OTHER MATTERS

Our audit report on the consolidated financial statements for the year ended 31 December 2021 was qualified

with regards to our inability to verify the opening balances as at 1 January 2021, and the consequential possible impact on the results of operations and the cash flows for the year ended 31 December 2021.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
THE MONITORING OF DEBT AND LIQUIDITY POSITION	
<p>Covenants compliance is a key audit matter as the Group's credit facilities are subject to several covenants. Notes 2 and 13 to the consolidated financial statements discloses the status of the Group's compliance with debt covenants and steps taken by management with the objective of improving the Group's debt and liquidity position.</p> <p>Future compliance with debt covenants and monitoring of the liquidity position are important aspects for our audit since it can have a major impact on the going concern assumption, on the basis of which the consolidated financial statements are prepared. Substantiation of future compliance with such covenants and monitoring the liquidity position are based on expectations and estimates about future market and/or economic conditions, etc. These expectations and estimates can be influenced by subjective elements such as estimated future cash flows, forecasted results and margins from operations and expectations regarding future developments in the economy and the market.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ■ We reviewed shareholders' resolution, as stated in note 2 to the consolidated financial statements, regarding the Company's capital reduction and issuance of new shares. ■ We also verified the Group's debt covenants calculation and compliance as of 31 December 2022 and evaluated the adequacy of the related disclosures as required by IFRS.

Key audit matter	How our audit addressed the key audit matter
ASSESSMENT OF THE CARRYING VALUE OF GOODWILL	
<p>Under IFRSs, the Group is required to annually test the goodwill for impairment. This annual impairment test was significant to our audit because the carrying value of goodwill of AED 143,463 thousand as of 31 December 2022 is material to the consolidated financial statements. In addition, management's assessment process is judgmental and is based on certain assumptions, specifically gross margins, growth rate and discount rate that are affected by expected future market or economic conditions.</p> <p>Goodwill is monitored by the management at the operating segment level. The Group has identified the vessel owning and chartering division, marine products sales and distribution and shipping services as its operating segments. Goodwill has been allocated to the vessel owning and charter segment.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ■ We evaluated the management's future cash flow forecasts and the process by which they were drawn up and tested the integrity of the underlying discounted cash flow model. ■ We compared the forecasts used in this model to the plan and assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy. ■ We also evaluated the directors' assumptions used for the future cash flow growth in the plan, by performing a sensitivity analysis in respect of the key assumptions to ascertain the extent of change in those assumptions which, either individually or collectively, would be required for the goodwill to be impaired. We assessed the likelihood of these changes in assumptions arising. ■ For the impairment assessment we involved our internal valuation specialists to test the discount rates, by comparing key inputs, where relevant, to externally derived data or data for comparable listed organisation. ■ Furthermore, we evaluated the adequacy of the Group's disclosures concerning goodwill in Note 7 to the consolidated financial statements.

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OTHER INFORMATION

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required

to communicate the matter to those charge with governance and take appropriate actions in accordance with ISAs.

RESPONSIBILITIES OF THE MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that

a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. 32 of 2021, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, we report that for the year ended 31 December 2022:

1. we have obtained all the information we considered necessary for the purposes of our audit;
2. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the association of the Company and the UAE Federal Law No. 32 of 2021;
3. the Company has maintained proper books of account;
4. the financial information included in the Board of Directors' report is consistent with the books of account of the Company;

For Ernst & Young

Signed by:

Ashraf Abu Sharkh

Partner

Registration No. 690

2 April 2023

Dubai, United Arab Emirates

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5. the Company has not made any investments in shares and stocks during the year ended 31 December 2022;
6. note 17 reflects material related party transactions and the terms under which they were conducted;
7. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
8. note 20 reflects the social contributions made during the year ended 31 December 2022.