Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the six month period ended 30 June 2012

Gulf Navigation Holding PJSC

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	Pages
Report on review of condensed consolidated interim financial information	1 - 2
Condensed consolidated interim balance sheet	3
Condensed consolidated interim income statement	4
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 - 18

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Report on review of condensed consolidated interim financial information to the shareholders of Gulf Navigation Holding PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Gulf Navigation Holding PJSC ("the company") and its subsidiaries (collectively referred to as 'the Group') as at 30 June 2012, and the related condensed consolidated interim income statement, condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34: 'Interim financial reporting'.

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W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

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Report on review of condensed consolidated interim financial information to the shareholders of Gulf Navigation Holding PJSC (continued)

Emphasis of matter

We draw attention to Note 2 to the condensed consolidated interim financial information which states that the Group incurred a loss of AED 12,366 thousand during the six month period ended 30 June 2012 (2011: AED 24,606 thousand) and, as of that date, the Group had accumulated losses of AED 318,318 thousand (31 December 2011: AED 303,502 thousand). At 30 June 2012, the Group was also in breach of the terms of the reset agreement, signed to reset the debt and cash covenants for a period from 24 November 2011 to 31 March 2013 (Note 6), which has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the bank borrowings are classified as current liabilities at 30 June 2012. This resulted in the Group having a net current liability position at 30 June 2012 of AED 877,645 thousand (31 December 2011: AED 931,876 thousand). The Group is currently in discussions with the lenders to eliminate the breach by extending the compliance dates set out in the reset agreement. As of the date of authorisation of this condensed consolidated interim financial information, the discussions with the lenders are in progress with the expectation that agreement will be reached with the lenders in the third quarter of 2012.

The conditions stated above, along with other matters set forth in Note 2 to the condensed consolidated interim financial information, indicate the existence of material uncertainty, which may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers
13 August 2012

Amin H. Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

	Note	As at 30 Jun 12 (Unaudited) AED'000	As at 31 Dec 11 (Audited) AED'000
Assets			
Non-current assets			
Vessels, property and equipment	4	1,529,253	1,559,695
Goodwill		518,550	518,550
Investment in jointly controlled entities		131,670	135,609
Trade receivable	5	-	29,907
Due from a related party	7	25,631	25,631
		2,205,104	2,269,392
Current assets			
Inventories		7,194	20,864
Due from related party	7	859	2,677
Trade and other receivables	5	87,832	58,278
Term deposit		41,151	116,900
Cash and cash equivalents		48,984	42,174
		186,020	240,893
Total assets		2,391,124	2,510,285
Equity and liabilities			
Equity attributable to equity holders of the Group			
Share capital		1,655,000	1,655,000
Statutory reserve		31,546	31,546
Reserve for own shares		(42,014)	(46,706)
Accumulated losses		(318,318)	(303,502)
		1,326,214	1,336,338
Hedging reserve for interest rate swaps		(39,438)	(47,804)
Total equity		1,286,776	1,288,534
Non-current liabilities			
Provision for employees' end of service benefits		1,245	1,178
Interest rate swap liabilities		39,438	47,804
		40,683	48,982
Current liabilities			
Trade and other payables		62,358	77,185
Due to related parties	7	12,299	8,703
Borrowings	6	989,008	1,024,729
Bank overdraft		-	62,152
		1,063,665	1,172,769
Total liabilities		1,104,348	1,221,751
Total equity and liabilities		2,391,124	2,510,285

The condensed consolidated interim financial information was approved by the Board of Directors on 13th Aug. 2012 and signed on its behalf by:

Abdullah Al-Shuraim
Chairman

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement for the six month period ended 30 June 2012

	Note	Six months ended		Three months ended	
		30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000
Operating revenue	8	106,948	147,242	52,162	78,556
Voyage related direct costs	9	(8,774)	(29,774)	(498)	(20,204)
Other operating costs	10	(69,659)	(87,087)	(36,114)	(43,129)
Gross profit		28,515	30,381	15,550	15,223
Other income		982	1,131	583	360
Administrative expenses	11	(9,978)	(11,780)	(5,111)	(6,553)
Expenses relating to assets classified as held for sale / disposed of	12	-	(20,885)	-	(20,885)
Operating profit / (loss) for the period		19,519	(1,153)	11,022	(11,855)
Finance income		1,191	2,180	542	909
Finance costs		(29,137)	(24,467)	(14,292)	(12,588)
Finance costs – net		(27,946)	(22,287)	(13,750)	(11,679)
Share of loss in jointly controlled entities		(3,939)	(1,166)	(1,808)	(1,293)
Loss for the period		(12,366)	(24,606)	(4,536)	(24,827)
Loss per share - Basic and diluted (AED)	13	(0.0079)	(0.0156)	(0.0029)	(0.0158)

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of comprehensive income for the six month period ended 30 June 2012

	Six months ended		Three months ended	
	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000
Loss for the period	(12,366)	(24,606)	(4,536)	(24,827)
Other comprehensive income:				
Effective portion of change in fair value of interest rate swap hedges	21,028	16,377	11,026	2,615
Interest rate swap hedge reserve recycled to the income statement	(12,662)	(14,223)	(6,275)	(7,636)
Other comprehensive income / (loss) for the period	8,366	2,154	4,751	(5,021)
Total comprehensive (loss) / income for the period	(4,000)	(22,452)	215	(29,848)

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of changes in equity for the six month period ended 30 June 2012

	Share capital AED'000	Statutory reserve AED'000	Hedging reserve for interest rate swaps AED'000	Reserve for own shares AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2011	1,655,000	31,546	(59,062)	(46,706)	(230,807)	1,349,971
Comprehensive income						
Loss for the period	-	-	-	-	(24,606)	(24,606)
Other comprehensive income						
Hedge reserve	-	-	2,154	-	-	2,154
Total comprehensive income / (loss) for the period	-	-	2,154	-	(24,606)	(22,452)
Balance at 30 June 2011 (unaudited)	1,655,000	31,546	(56,908)	(46,706)	(255,413)	1,327,519
Balance at 1 January 2012	1,655,000	31,546	(47,804)	(46,706)	(303,502)	1,288,534
Comprehensive income						
Loss for the period	-	-	-	-	(12,366)	(12,366)
Other comprehensive income						
Hedge reserve	-	-	8,366	-	-	8,366
Total comprehensive income/(loss) for the period	-	-	8,366	-	(12,366)	(4,000)
Transactions with owners						
Sale of treasury shares	-	-	-	-	2,242	2,242
Transfer of reserve to accumulated losses on sale of treasury shares	-	-	-	4,692	(4,692)	-
Balance at 30 June 2012 (unaudited)	1,655,000	31,546	(39,438)	(42,014)	(318,318)	1,286,776

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows for the six month period ended 30 June 2012

	Note	Six months ended 30 June 12 (Unaudited) AED'000	Six months ended 30 June 11 (Unaudited) AED'000
Operating activities			
Loss for the period		(12,366)	(24,606)
Adjustments for:			
Depreciation		32,114	30,652
Share of loss in jointly controlled entities		3,939	1,166
Provision for employees' end of service benefits		200	281
Finance income		(1,191)	(2,180)
Finance costs		29,137	24,467
Brokerage expense netted off with assets of a disposal group classified as held for sale	12	-	2,972
Loss on sale of assets of a disposal group classified as held for sale	12	-	1,278
Impairment in the value of assets of a disposal group classified as held for sale	12	-	4,714
Write-off of inventory aboard vessels classified as held for sale / disposed of	12	-	10,099
Operating cash flows before working capital changes and payment of employees' end of service benefits		51,833	48,843
Payment for employees' end of service benefits		(133)	(87)
Changes in working capital:			
Inventories		13,670	(11,744)
Trade and other receivables		353	(9,242)
Due from related parties (excluding interest payable)		2,677	-
Trade and other payables		(14,827)	34,800
Due to related parties		3,596	(3,416)
Net cash generated from operating activities		57,169	59,154
Investing activities			
Purchase of vessels and equipment	4	(1,672)	(340,439)
Proceeds from sale of assets classified as held for sale		-	57,283
Interest received		332	2,180
Withdrawal of term deposit		75,749	-
Net cash provided by / (used in) investing activities		74,409	(280,976)
Financing activities			
Borrowings availed		-	234,471
Repayment of borrowings		(35,721)	(74,070)
Interest paid		(29,137)	(24,467)
Proceeds from sale of shares		2,242	-
Net cash (used in) / provided by financing activities		(62,616)	135,934
Net increase / (decrease) in cash and cash equivalents		68,962	(85,888)
Cash and cash equivalents at beginning of the period		(19,978)	203,555
Cash and cash equivalents at end of the period		48,984	117,667

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial information.

1 Reporting entity

Gulf Navigation Holding PJSC ("the Company" or "the Parent Company") was incorporated on 30 October 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company is primarily engaged in marine transportation of commodities, chartering vessels, ship agency, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, unloading, discharging and packaging services through its subsidiaries as listed below. The Company is operated from 32nd Floor, Suite number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates.

The Company and its following directly or indirectly wholly owned subsidiaries are referred to as "the Group" in the condensed consolidated interim financial information:

Subsidiaries	***Country of incorporation***
Gulf Navigation Group FZCO	United Arab Emirates
Gulf Navigation Ship Management FZE	United Arab Emirates
Gulf Ship FZE	United Arab Emirates
Gulf Crude Carriers LLC	United Arab Emirates
Gulf Chemical Carriers LLC	United Arab Emirates
Lam Gulf Maritime Co LLC	United Arab Emirates
Gulf Navigation and Brokerage LLC	Oman
Gulf Eyada Corporation	Panama
Gulf Sieb Shipping Inc	Panama
Gulf Jash Shipping Inc	Panama
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Mishref Shipping Inc	Marshal Islands
Gulf Mizwar Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Riyad Shipping Inc	Marshal Islands
Gulf Safwa Shipping Inc	Marshal Islands
Gulf Sheba Shipping Limited	Hong Kong
Gulf Navigation Holding PJSC(Br)	Kingdom of Saudi Arabia

The Group also has interest in the following jointly controlled entities:

Jointly controlled entities	*Country of incorporation*	*Percentage of shareholding*
Gulf Stolt Ship Management JLT	United Arab Emirates	50%
Gulf Stolt Tankers DMCCO	United Arab Emirates	50%

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the six month period ended 30 June 2012 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. This condensed consolidated interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group at and for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for derivative financial instruments which are stated at fair value.

Going concern

The Group's condensed consolidated interim financial information have been prepared on a going concern basis, however, given the conditions and events described below there exists a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Group incurred a loss of AED 12,366 thousand during the six month period ended 30 June 2012 (2011: AED 24,606 thousand) and, as of that date, the Group had accumulated losses of AED 318,318 thousand (31 December 2011: AED 303,502 thousand). At 30 June 2012, the Group is in breach of the terms of the reset agreement, signed to reset the debt and cash covenants for a period from 24 November 2011 to 31 March 2013. This breach occurred due to the delay in receiving a significant element of the dues from the Estate of Atlas Shipping A/S (refer note 5) which was expected to be received prior to 30 June 2012 and are now forecast to be received in the third quarter. This breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the bank borrowings are classified as current liabilities at 30 June 2012. This resulted in the Group having a net current liability position of AED 877,645 thousand (31 December 2011: AED 931,876 thousand).

The Group is currently in discussion with the lenders to eliminate the breach by extending the compliance dates set out in the reset agreement. As of the date of authorisation of this condensed consolidated interim financial information, the discussions with the lenders are in progress with the expectation that agreement will be reached with the lenders in the third quarter of 2012.

The Board of Directors of the Group expects that the Group will be successful in reaching an agreement with the lenders. Therefore, the Board of Directors believes, despite the material uncertainty, it is reasonable to continue to adopt the going concern basis in preparing this condensed consolidated interim financial information. Accordingly, this condensed consolidated interim financial information has been prepared on a going concern basis.

New standards, amendments to published standards and interpretations

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

2 Basis of preparation and accounting policies

New standards, amendments to published standards and interpretations (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted by the Group

- IAS 1, 'Financial statement presentation' (effective 1 July 2012);
- IAS 19, 'Employee Benefits' (effective 1 January 2013);
- IFRS 9, 'Financial instruments' (effective 1 January 2015);
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013);
- IFRS 11, 'Joint arrangements' (effective 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities'(effective 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective 1 January 2013);
- IAS 27 (revised 2011), 'Separate financial statements (effective 1 January 2013); and
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group is assessing the impact of the above standards, amendments and interpretations to published standards on the Group's consolidated financial statements.

Functional and presentation currency

Items included in the consolidated interim financial information of the Group are measured using the currency of primary economic environment in which the Group operates ('the functional currency'). Since most of the transactions of the Group are denominated in US Dollar ("USD") or currencies pegged to USD, the functional currency of the Group is USD. However, the condensed consolidated interim financial information is presented in United Arab Emirates Dirham ("AED") being the presentation currency. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

Basis of consolidation

The condensed consolidated interim financial information at and for the six month period ended 30 June 2012 comprises results of the Company and its subsidiaries (together referred to as "the Group"). The condensed interim financial information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group

Significant accounting policies

The Group has consistently applied the accounting policies and methods of computation used in the preparation of the last published annual consolidated financial statements for the year ended 31 December 2011.

2 Basis of preparation and accounting policies (continued)

Estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements at and for the year ended 31 December 2011.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements at and for the year ended 31 December 2011.

3 Operating segments

Business segments

The Group comprises the following main business segments:

- *Vessel owning & chartering:* Chartering of vessels to customers;
- *Commercial:* Trading of goods such as supplies, chemicals, gases required for ships;
- *Agency:* Providing agency services to ships calling at ports; and
- *Other:* Includes management of all divisions and administrative activities.

Geographical segments

The chief operating decision maker of the Group ("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 are reviewed regularly by the Group's Executive Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3 Operating segments (continued)

Information about reportable segments
All figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	For the six month period ended 30 June 2012 (Unaudited)						For the six month period ended 30 June 2011 (Unaudited)					
Operating revenue	96,179	1,132	9,637	-	-	106,948	138,127	915	8,200	-	-	147,242
Interest income	10	-	-	1,181	-	1,191	7	-	-	2,173	-	2,180
Other income	183	331	32	436		982	89	266	10	766		1,131
Operating costs	(72,254)	(857)	(5,350)	-	28	(78,433)	(111,376)	(706)	(4,807)	-	28	(116,861)
Finance costs	(29,064)	(1)	(16)	(56)	-	(29,137)	(23,481)	(1)	(11)	(974)	-	(24,467)
Administrative expenses	(832)	(437)	(1,796)	(6,913)	-	(9,978)	(22,543)	(488)	(1,624)	(8,010)	-	(32,665)
Share of loss in jointly controlled entities	-	-	-	(3,939)	-	(3,939)	-	-	-	(1,166)	-	(1,166)
Reportable segments' (loss) / profit	(5,778	168	2,507	(9,291)	28	(12,366)	(19,177)	(14)	1,768	(7,211)	28	(24,606)
	At 30 June 2012 (Unaudited)						At 31 December 2011 (Audited)					
Reportable segments' assets	4,246,362	11,793	52,388	3,592,112	(5,511,531)	2,391,124	4,240,613	10,391	47,216	3,617,692	(5,405,627)	2,510,285
Reportable segments' liabilities	4,308,390	12,433	31,968	2,226,140	(5,474,583)	1,104,348	4,296,862	11,200	29,304	2,253,036	(5,368,651)	1,221,751

3 Operating segments (continued)

Information about reportable segments
All figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	For the three month period ended 30 June 2012 (Unaudited)						For the three month period ended 30 June 2011 (Unaudited)					
Operating revenue	46,449	677	5,036	-	-	52,162	73,446	427	4,683	-	-	78,556
Interest income	5	-	-	537	-	542	4	-	-	905	-	909
Other income	183	161	21	218		583	-	132	9	219		360
Operating costs	(33,408)	(510)	(2,709)	-	15	(36,612)	(60,319)	(321)	(2,707)	-	14	(63,333)
Finance costs	(14,279)	(1)	(8)	(4)	-	(14,292)	(12,285)	(1)	(4)	(298)	-	(12,588)
Administrative Expenses	(681)	(209)	(919)	(3,302)	-	(5,111)	(22,540)	(238)	(767)	(3,893)	-	(27,438)
Share of loss in jointly controlled entities	-	-	-	(1,808)	-	(1,808)	-	-	-	(1,293)	-	(1,293)
Reportable segments' (loss) / profit	(1,731)	118	1,421	(4,359)	15	(4,536)	(21,694)	(1)	1,214	(4,360)	14	(24,827)

4 Vessels, property and equipment

During the six month period ended 30 June 2012, the Group acquired assets with a cost of AED 1,672 thousand (30 June 2011: AED 340,439 thousand). The amount of borrowing costs included in the additions during the period is AED 61 thousand (30 June 2011: AED Nil).

Vessels with a net book value of AED 1,379,449 thousand (31 December 2011: AED 1,409,133 thousand) are mortgaged as security for borrowings (Note 6).

The management has contracted with a shipyard ("the Contractor") for the construction of two new vessels. The payment terms set out in Addendum No 1 to the main contract entered into with the Contractor referred to the payment dates of November / December 2011 for the 2nd instalment with a value of AED 53,253 thousand (USD 14,550 thousand) but these dates were linked to a minimum period from agreed delivery date. Discussions have been on-going with the Contractor as to further delays to the delivery schedule and the management believes that until these dates have been agreed, the due payment dates are open to discussion. Further, the management has obtained a legal opinion dated 26 March 2012 on the above issue. As per the opinion, the Contractor is unlikely to contend that the Group is in default of its payment obligation in respect of the 2nd instalment. The carrying amount of capital-work-in-progress as of 30 June 2012 is AED 108,028 thousand (31 December 2011: AED 107,750 thousand).

5 Trade and other receivables

	30 June 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Non-current		
Trade receivable (i)	-	29,907
Current		
Trade receivables (i)	67,172	38,145
Less: provision for impairment of trade receivables	(15,372)	(15,372)
	51,800	22,773
Awards receivable	5,914	5,914
Advances to suppliers	4,076	6,713
Prepayments	3,470	1,555
Other receivables	22,572	21,323
	87,832	58,278

(i) An amount of AED 32,652 thousand is receivable from the Estate of Atlas Shipping A/S. This receivable is stated at its net present value, net off discount, amounting to AED 2,745 thousand.

6 Borrowings

The Group has outstanding loans amounting to AED 989,008 thousand (31 December 2011: AED 1,024,729 thousand) from commercial banks to acquire ships. These loans are secured against the assignment of vessels mortgaged and the pledge of shares of the subsidiaries owning these vessels.

At 30 June 2012, the Group is in breach of the terms of the reset agreement, signed to reset the debt and cash covenants for a period from 24 November 2011 to 31 March 2013, which have given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the bank borrowings are classified as current liabilities at 30 June 2012. However, the Group is currently negotiating with the lenders and is confident that a decision will be reached with the lenders which will avoid a demand for immediate repayment of the loans and ensure compliance with the reset agreement (Note 2).

7 Related party transactions and balances

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions primarily include management fees charged by the jointly controlled entity amounting to AED 1,966 thousand (2011: AED 1,932 thousand) for managing the Group's vessels.

The outstanding balances of amounts due to related parties are given below:

	30 June 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Due from related party		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	25,631	25,631
Current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	859	2,677
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	3,399	2,661
Gulf Stolt Tankers DMCCO (Joint venture)	2,670	-
Directors for directors fee	316	128
	12,299	8,703

7 Related party transactions and balances (continued)

(i) The Group has provided a loan to Gulf Stolt Tankers DMCCO (GST). It carries interest at a rate of 6.6% per annum and will be received after twelve months. However, interest is receivable quarterly. Therefore, the loan is classified as non-current asset, whereas, the interest receivable of AED 859 (2011: Nil) is classified as a current asset.

(ii) Amounts due to the shareholders of Gulf Navigation LLC represent an amount payable of AED 5,914 thousand (2011: 5,914 thousand) retained to cover the extent of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represent amounts awarded by the arbitrators for claims filed by Gulf Navigation Holding LLC against certain third parties. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them.

Key management remuneration

	Six months ended		Three months ended	
	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000
Salaries and benefits	1,035	1,308	521	808
End of service benefits	33	42	17	26
	1,068	1,350	538	834

8 Operating revenue

Vessel chartering	96,179	138,127	46,449	73,446
Ship agency	9,637	8,200	5,036	4,683
Commercial agency	1,132	915	677	427
	106,948	147,242	52,162	78,556

9 Voyage related direct costs

Vessel chartering:				
Commission on freight	243	2,900	-	1,566
Bunkering	7,945	21,286	76	15,518
Port disbursement expenses	-	3,521	-	1,865
Cargo related survey, hold cleaning charges etc	586	2,067	422	1,255
	8,774	29,774	498	20,204

	Six months ended		Three months ended	
	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000
10 Other operating costs				
Vessel chartering:				
Ship running	30,993	49,904	16,539	23,825
Vessel depreciation	29,683	28,514	14,841	14,842
Ship repair	2,266	3,164	1,253	1,439
Dry docking write-off	518	-	267	-
Ship agency:				
Operating cost	4,987	4,445	2,527	2,525
Vessel depreciation	355	354	177	178
Commercial agency	857	706	510	320
	69,659	87,087	36,114	43,129
11 Administrative expenses				
Staff salaries and benefits	5,691	6,856	2,831	3,672
Other administrative expenses	4,287	4,924	2,280	2,881
	9,978	11,780	5,111	6,553
12 Expenses relating to assets classified as held for sale / disposed of				
Write-off of inventory aboard vessels	-	10,099	-	10,099
Impairment in the value of assets	-	4,714	-	4,714
Brokerage expenses	-	4,794	-	4,794
Loss on sale of assets	-	1,278	-	1,278
	-	20,885	-	20,885

	Six months ended		Three months ended	
	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 11 (Unaudited) AED'000
13 Loss per share				
Loss for the period (in thousands)	(12,366)	(24,606)	(4,536)	(24,827)
Weighted average number of shares	1,573,764,522	1,572,575,917	1,574,953,128	1,572,575,917
Basic and diluted loss per share	(AED 0.0079)	(AED 0.0156)	(AED 0.0029)	(AED 0.0158)

14 Operating leases as a lessor

The Group leases its marine vessels under operating leases (time charters). Time charters run for periods ranging from one month to fifteen years. The lease rental is usually negotiated to reflect market rentals upon entering into/renewal of the charter. Future minimum lease rentals receivables under the non-cancellable operating leases are as follows:

	30 June 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Not later than one year	128,173	148,285
Between one year and five years	406,114	409,316
Beyond five years	643,523	694,148
	1,177,810	1,251,749

15 Commitments

Capital expenditure contracted for at the period end date but not provided for:

	30 June 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Acquisition of vessels	603,534	603,534