RENAISSANCE SERVICES SAOG
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Principal place of business

Renaissance Services SAOG
Renaissance House
Central Business District
Ruwi, Muscat
Sultanate of Oman

Registered office

Renaissance Services SAOG
PO Box 1676
Muttrah
Postal Code 114
Sultanate of Oman

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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Independent auditor's report to the shareholders of Renaissance Services SAOG

Report on the financial statements

We have audited the accompanying consolidated financial statements of **Renaissance Services SAOG** (the company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies law of 1974, as amended 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Independent auditor's report to the shareholders of Renaissance Services SAOG (continued)

Report on other legal and regulatory requirements

Further, as required by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading ('R&G') issued by the Capital Market Authority ('CMA') of the Sultanate of Oman, we report that the accompanying consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the R&G, with the Rules for Disclosure and Proformas issued by the CMA and with the Commercial Companies Law of 1974, as amended.

Other matter – prior period consolidated financial statements audited by a predecessor auditor

The consolidated financial statements of the Group for the year ended 31 December 2011, were audited by another firm of auditors, whose report dated 27 February 2012 expressed an unqualified opinion on those consolidated financial statements. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers LLP

3 March 2013
Muscat, Sultanate of Oman

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RO'000	2011 RO'000
Continuing operations			
Revenue	30	**257,277**	244,374
Operating costs		**(185,535)**	(172,684)
Gross profit		**71,742**	71,690
Administrative expenses		**(27,630)**	(27,464)
Profit from operations		**44,112**	44,226
Finance costs - net	5	**(20,840)**	(17,854)
Other non-operating expenses	6	**-**	(10,645)
Amortisation of intangible assets	9	**(19)**	(33)
Share of (loss)/profit of associate companies	11	**(10)**	109
(Loss)/gain on investments - net	10	**(345)**	1
Profit before tax		**22,898**	15,804
Taxation	7	**(7,288)**	(5,465)
Profit for the year from continuing operations		**15,610**	10,339
Discontinued operations			
Loss for the year from discontinued operations	16	**(12,552)**	(8,048)
Profit for the year		**3,058**	2,291
Profit attributable to:			
Owners of the parent		**(1,377)**	(1,000)
Non-controlling interests		**4,435**	3,291
		3,058	2,291
Other comprehensive income/(loss):			
Foreign currency translation differences		**101**	14
Reclassification on discontinuance of hedge accounting		**964**	-
Effective portion of changes in fair value of cash flow hedges		**80**	(1,628)
		1,145	(1,614)
Total comprehensive income for the year		**4,203**	677
Attributable to:			
Owners of the parent		**(232)**	(2,614)
Non-controlling interests		**4,435**	3,291
Total comprehensive income for the year		**4,203**	677
Total comprehensive income from:			
Continuing operations		**16,755**	8,725
Discontinued operations		**(12,552)**	(8,048)
		4,203	677

The notes on pages 9 to 53 form an integral part of these financial statements.

The parent company statement of comprehensive income is presented as a separate schedule attached to the consolidated financial statements.

Report of the Auditors is set forth on page 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

	Note	2012	2011
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in Rial Omani)			
Basic and diluted earnings per share			
From continuing operations	25	**0.041**	0.020
From discontinued operations		**(0.046)**	(0.024)
From profit for the year		**(0.005)**	(0.004)

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RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 RO'000	2011 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**456,386**	454,838
Intangible assets	9	**33,536**	38,871
Other long term receivables	14	**8,424**	-
Investments	11	**322**	1,919
Deferred tax asset	7	**1,835**	1,255
		500,503	496,883
Current assets			
Financial assets at fair value through profit or loss		**16**	16
Inventories and work-in-progress	13	**10,377**	8,991
Trade and other receivables	14	**81,065**	110,453
Cash and bank balances	15	**27,853**	37,354
		119,311	156,814
Assets of disposal group classified as held-for-sale	16	**28,381**	-
		147,692	156,814
Total assets		**648,195**	653,697
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**28,209**	28,209
Share premium	17	**19,496**	19,496
Treasury shares	17	**(1,704)**	(1,704)
Legal reserve	17	**10,530**	10,771
Subordinated loan reserve	17	**11,429**	5,714
Retained earnings		**98,831**	105,746
Hedging reserve	17	**(815)**	(1,859)
Exchange reserve	17	**222**	121
		166,198	166,494
Non-controlling interests		**28,740**	26,673
Total equity		**194,938**	193,167
LIABILITIES			
Non-current liabilities			
Term loans	18	**268,745**	286,886
Mandatory convertible bonds	19	**28,466**	-
Non-current payables and advances	20	**8,268**	10,368
Staff terminal benefits	21	**5,539**	6,657
		311,018	303,911
Current liabilities			
Trade and other payables	22	**57,465**	74,516
Bank borrowings	15 & 23	**5,332**	8,245
Term loans	18	**57,689**	73,858
		120,486	156,619
Liabilities of disposal group classified as held-for-sale	16	**21,753**	-
		142,239	156,619
Total liabilities		**453,257**	460,530
Total equity and liabilities		**648,195**	653,697
Net assets per share (RO)	24	**0.621**	0.622

The financial statements on pages 3 to 53 were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2013

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Chairman   **Director**

The parent company statement of financial position is presented as a separate schedule attached to the consolidated financial statements.

Report of the Auditors is set forth on page 1 and 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to shareholders' of the parent company											
	Share capital RO'000	Share premium RO'000	Treasury shares RO'000	Legal reserve RO'000	Subordinated loan reserve RO'000	Proposed distribution RO'000	Retained earnings RO'000	Hedging reserves RO '000	Exchange reserves RO'000	Total RO'000	Non-controlling interests RO'000	Total RO'000
At 1 January 2011	28,209	19,496	(1,704)	10,577	-	3,385	112,479	(231)	107	172,318	23,514	195,832
Profit for the year	-	-	-	-	-	-	(1,000)	-	-	(1,000)	3,291	2,291
Other comprehensive income	-	-	-	-	-	-	-	(1,628)	14	(1,614)	-	(1,614)
Total comprehensive income for the year	-	-	-	-	-	-	(1,000)	(1,628)	14	(2,614)	3,291	677
Dividends paid	-	-	-	-	-	(3,385)	-	-	-	(3,385)	-	(3,385)
Income from treasury shares	-	-	-	-	-	-	175	-	-	175	-	175
Transfer to legal reserve	-	-	-	194	-	-	(194)	-	-	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	5,714	-	(5,714)	-	-	-	-	-
Movement related to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(132)	(132)
Total transactions with owners	-	-	-	194	5,714	(3385)	(5,733)	-	-	(3,210)	(132)	(3,342)
At 31 December 2011	28,209	19,496	(1,704)	10,771	5,714	-	105,746	(1,859)	121	166,494	26,673	193,167

The notes on pages 9 to 53 form an integral part of these financial statements.
The parent company statement of changes in equity is presented as a separate schedule attached to the consolidated financial statements.

Report of the Auditors is set forth on page 1 and 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to shareholders' of the parent company										
	Share capital RO'000	Share premium RO'000	Treasury shares RO'000	Legal reserve RO'000	Subordinated loan reserve RO'000	Retained earnings RO'000	Hedging reserves RO '000	Exchange reserves RO'000	Total RO'000	Non-controlling interests RO'000	Total RO'000
At 1 January 2012	28,209	19,496	(1,704)	10,771	5,714	105,746	(1,859)	121	166,494	26,673	193,167
Adjustment for mobilisation costs	-	-	-	-	-	(468)	-	-	(468)	(357)	(825)
Balance at 1 January 2012 (revised)	28,209	19,496	(1,704)	10,771	5,714	105,278	(1,859)	121	166,026	26,316	192,342
Profit for the year	-	-	-	-	-	(1,377)	-	-	(1,377)	4,435	3,058
Other comprehensive income	-	-	-	-	-	-	1,044	101	1,145	-	1,145
Total comprehensive income for the year	-	-	-	-	-	(1,377)	1,044	101	(232)	4,435	4,203
Transfer to legal reserve	-	-	-	7	-	(7)	-	-	-	-	-
Transfer from legal reserve on disposal of subsidiary	-	-	-	(248)	-	248	-	-	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	5,715	(5,715)	-	-	-	-	-
Movement related to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,607)	(1,607)
Reclassification of non-controlling interests in a subsidiary	-	-	-	-	-	404	-	-	404	(404)	-
Total transactions with owners	-	-	-	(241)	5,715	(5,070)	-	-	404	(2,011)	(1,607)
At 31 December 2012	28,209	19,496	(1,704)	10,530	11,429	98,831	(815)	222	166,198	28,740	194,938

The notes on pages 9 to 53 form an integral part of these financial statements.

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Report of the Auditors is set forth on page 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RO'000	2011 RO'000
OPERATING ACTIVITIES			
Cash receipts from customers		**304,030**	261,019
Cash paid to suppliers and employees		**(240,843)**	(217,924)
Cash generated from operations		**63,187**	43,095
Net finance costs		**(22,007)**	(19,142)
Income tax paid		**(7,368)**	(4,669)
Net cash generated from operating activities		**33,812**	19,284
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(44,453)**	(82,588)
Acquisition of intangible assets		**(94)**	(49)
Investment in an associate		**-**	(76)
Proceeds from divestment of a subsidiary		**7,794**	-
Dividends received		**23**	198
Net cash used in investing activities		**(36,730)**	(82,515)
FINANCING ACTIVITIES			
Net (payment)/receipt of term loans		**(26,876)**	75,928
Net receipt from mandatory convertible bonds		**28,466**	-
Net movement in related party balances		**(184)**	977
Cash dividends paid		**-**	(3,385)
Funds paid to non-controlling interests		**(2,271)**	(132)
Net cash (used in)/generated from financing activities		**(865)**	73,388
(Decrease)/increase in cash and cash equivalents		**(3,783)**	10,157
Cash and cash equivalents at the beginning of the year		**29,109**	18,952
Cash and cash equivalents at the end of the year	15	**25,326**	29,109
Cash and cash equivalents comprise the following:			
Cash and bank balances		**27,853**	37,354
Bank borrowings		**(5,332)**	(8,245)
Cash at bank classified as assets held-for-sale		**2,981**	-
Bank borrowings classified as liabilities held-for-sale		**(176)**	-
		25,326	29,109

The notes on pages 9 to 53 form an integral part of these financial statements.
The parent company statement of cash flows is presented as a separate schedule attached to the consolidated financial statements.

Report of the Auditors is set forth on page 1 and 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 Legal status and principal activities

Renaissance Services SAOG (the parent company) is incorporated in the Sultanate of Oman as a public joint stock company. The business activities of Renaissance Services SAOG and its subsidiary companies (together referred to as the Group) include investments in companies and properties, providing solutions in offshore support vessel fleet, ship building, purchase and sales of vessels, afloat ship repair, fabrication and maintenance for the oil & gas and energy services sectors, a leading turnkey contract services provider providing facilities management, facilities establishment, contract catering, operations and maintenance services, provision of training services, media publishing, advertising and distribution, manufacturing, general trading and related activities.

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Commercial Companies Law of 1974 and the disclosure requirements of the Capital Market Authority (CMA).

(b) These financial statements have been prepared in Rial Omani (RO) rounded to the nearest thousand, unless otherwise stated.

(c) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic envoirment in which the entity operates (the functional currency). The consolidated financial statements are presented in Rial Omani (RO), which is the Group's presentation currency.

(d) The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of the following assets:

- Financial assets at fair value through profit or loss;
- Available-for-sale investments; and
- Derivative financial instruments.

(e) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(f) Standards and amendments effective in 2012 and relevant for the company's operations:

For the year ended 31 December 2012, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2012.

The adoption of these standards and interpretations has not resulted in material changes to the Group's accounting policies and has not affected the amounts reported for the current year.

(g) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

A number of new standards, amendments and interpretations to existing standards have been published and are mandatory for the annual accounting periods beginning on or after 1 January 2013 or later periods, but the Group has not early adopted them. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IAS 1 (Amendments), 'Presentation of financial statements', (effective on or after 1 January 2013);
IAS 19 (Amendments), 'Employee benefits', (effective on or after 1 January 2013);
IFRS 1 (Amendments), 'First time adoption', (effective on or after 1 January2 013);

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 7 (Amendments), ‘Financial instruments: Disclosures’, (effective on or after 1 January 2013);
IFRS 9, (Amendments), ‘Financial instruments’, (effective on or after 1 January 2015);
IFRS 10, ‘Consolidated financial statements’ (effective on or after 1 January 2013);
IFRS 11, ‘Joint arrangements’ (effective on or after 1 January 2013);
IFRS 12, ‘Disclosures of interests in other entities’ (effective on or after 1 January 2013); and
IFRS 13, ‘Fair value measurement’ (effective on or after 1 January 2013).
IAS 27 (Revised 2011), ‘Separate financial statements’ (effective on or after 1 January 2013).
IAS 28 (Revised 2011), ‘Associates and joint ventures’ (effective on or after 1 January 2013).
IAS 32 (Amendments), ‘Financial instruments: Presentation’ (effective on or after 1 January 2014).

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interest in a subsidiary are attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon loss of control the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the control is lost. Subsequently, it is accounted for as equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

Special purpose entities (SPEs) are consolidated if, based on the evaluation of the substance of the relationship of the entity with the Group and the SPEs risks and rewards, the Group concludes that it controls the SPEs.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group’s investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition, if any.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Investments in jointly controlled entities

Jointly controlled entities are those entities in which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in the jointly controlled entities are accounted for under the proportionate consolidation method whereby the Group accounts for its share of the assets and liabilities, income and expenses in the jointly controlled entity.

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity, against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is ceased, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisition of non-controlling interests is accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based in a proportionate amount of net assets of the subsidiary.

2.3 Revenue recognition

(a) Marine charter

Revenue comprises operating lease rent from charter of marine vessels, mobilisation income, and revenue from provision of on-board accommodation, catering services and sale of fuel and other consumables.

Lease rent income is recognised on a straight line basis over the period of the lease. Revenue from provision of on-board accommodation and catering services is recognised over the period of hire of such accommodation while revenue from sale of fuel and other consumables is recognised when delivered. Income generated from the mobilisation or demobilisation of the vessel to or from the location of charter under the vessel charter agreement is recognised when the mobilisation or demobilisation service has been rendered.

(b) Ship building, ship repair and oil and gas engineering services

Revenue comprises amounts derived from ship repair, provision of mechanical, electrical and instrumentation services, fabrication and maintenance services, turbocharger services and marine boiler repairs. Revenue is recognised under the percentage of completion method and is stated net of discounts and allowances. Percentage of completion is determined by reference to the proportion that accumulated costs up to the period end bear to the estimated total costs of the contract. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contractual activities. Where the outcome of a contract can be assessed with reasonable certainty, a prudent estimate of attributable profit is recognised in the statement of comprehensive income. Full provision is immediately made for all known or expected losses on individual contracts, when such losses are foreseen. Revenue arising from contract variations and claims is not accounted for unless it is probable that the customer will approve the variations/claims and the amount of revenue arising from the variations/claims can be measured reliably.

(c) Goods sold and services rendered

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer i.e. delivery of goods, acceptance by the customer and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction in the accounting period in which the services are rendered and the right to receive the consideration is established. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

2 Summary of significant accounting policies (continued)

2.3 Revenue recognition (continued)

(d) Maintenance contracts

Income from maintenance contracts is recognised in the statement of comprehensive income on a straight line basis evenly over the term of the contract.

(e) Commission income

Commission income is recognised when the amount is notified to the Group entities by the principal.

(f) Dividend income

Dividend income is recognised in the statement of comprehensive income on the date that the right to receive dividend is established.

(g) Sale of vessels

Revenue from sale of vessels is recognised in the statement of comprehensive income when pervasive evidence exists, usually in the form of an executed sales agreement, that significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the vessel and the amount of revenue can be measured reliably.

(h) Tuition fee

Revenue from tuition fee represents the fee value of courses conducted during the year, net of provisions for drop outs. Fees are billed at different stages of the course; however, income is accrued evenly over the duration of each course. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated losses.

(f) Others

Sale of operating assets and other miscellaneous income like insurance claims, provision write back and other income are shown as part of revenue and recognised when the right to receive is established.

2.4 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

2.5 Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation and impairment losses, if any. Cost of marine vessels includes purchase price paid to third party including registration and legal documentation costs, all directly attributable costs incurred to bring the vessel into working condition at the area of planned use, mobilisation costs to the operating location, sea trial costs, significant rebuild expenditure incurred during the life of the asset and financing costs incurred during the construction period of vessels. In certain operating locations where the time taken for mobilisation is significant and the customer pays a mobilisation fee, certain mobilisation costs are charged to profit or loss. Costs for other items of property, plant and equipments include expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Subsequent to initial recognition certain assets are carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation. The revaluation of these assets is carried out at regular intervals on an open-market basis to ensure that the carrying amount does not differ materially from the fair value. Surplus arising on revaluation is recorded in other comprehensive income and presented in the revaluation reserve in equity.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

	Years
Buildings and improvements	5 - 25
Furniture and fixtures	3 - 5
Plant, machinery and office equipment	1 - 15
Marine vessels revalued (from the date of latest revaluation)	10
Marine vessels and boats acquired	15 - 30
Jetty and land development	25
Floating dock	25
Motor vehicles	3

Freehold land is not depreciated. The cost of certain assets used on specific contracts is depreciated to estimated residual value over the period of the respective contract, including extensions if any. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Vessels that are no longer being chartered and are held-for-sale are transferred to inventories at their carrying value.

Capital work-in-progress

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready for their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion. No depreciation is charged on capital work-in-progress.

2.6 Dry docking costs

The expenditure incurred on vessel dry docking, a component of property, plant and equipment, is amortised over the period from the date of dry docking, to the date on which the management estimates that the next dry docking is due.

2.7 Vessel refurbishment costs

Leased assets

Costs incurred in advance of charter to refurbish vessels under long term charter agreements are capitalised within property, plant and equipment in line with the use of the refurbished vessel. Where there is an obligation to incur future restoration costs under charter agreements which would not meet the criteria for capitalisation within property, plant and equipment, the costs are accrued over the period to the next vessel re-fit to match the use of the vessel and the period over which the economic benefits of its use are realised.

2 Summary of significant accounting policies (continued)

2.7 Vessel refurbishment costs (continued)

Owned assets

Cost incurred to refurbish owned assets are capitalised within property, plant and equipment and then depreciated over the shorter of the estimated economic life of the related refurbishment or the remaining life of the vessel.

2.8 Goodwill

Goodwill that arises with acquisition of subsidiaries is presented within intangible assets. Goodwill is initially measured at the fair value of consideration transferred plus the recognised amount of any non-controlling interest in the acquiree plus, if the business combination is achieved in stages, the fair value of pre-existing equity interest in the acquiree less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any negative goodwill is immediately recognised in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the Group are assigned to those units or Groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segment format determined in accordance with IFRS 8 - Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

2 Summary of significant accounting policies (continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 2.14 and 2.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets are impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.12 Impairment of non-financial assets

(a) Non-financial assets (other than goodwill)

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.12 Impairment of non-financial assets (continued)

(a) Non-financial assets (other than goodwill) (continued)

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Inventories and work-in-progress

Inventories are valued at the lower of cost and net realisable value. Cost is determined applying the first-in, first-out and the weighted average methods and includes all costs incurred in acquiring and bringing them to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress are presented as part of current assets for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as billings in excess of valuation in the current liabilities.

2.14 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.16 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2 Summary of significant accounting policies (continued)

2.16 Share capital (continued)

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any gain or loss or income related to these shares are directly transferred to retained earnings and shown in the statement of changes in equity.

2.17 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.18 Non-current assets classified held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and their fair value less costs to sell.

2.19 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and, represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Results of discontinued operations are presented separately in the statement of comprehensive income.

2.20 Interest bearing borrowings

Interest bearing borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

2.21 Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liabilities.

2.22 Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2 Summary of significant accounting policies (continued)

2.23 Leases

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

Capitalised leased assets are depreciated over the estimated useful life of the asset or the lease term, whichever is less.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Group as a lessor

Leases where the group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Finance leases, which transfer from the group substantially all of the risks and rewards incidental to ownership of the leased item, are released as a disposal of asset at the inception of the lease and are presented as receivables under a finance lease at an amount equal to the net investment in the finance lease.

Lease receivables are apportioned between the finance income and reductions of the receivables under a finance lease so as to achieve a constant periodic rate of return on the lessor’s net investment in the finance lease.

Finance income earned is recognised in the consolidated statement of comprehensive income.

Lease receivables due within one year are disclosed as current assets.

2.24 Employee benefits

Contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman social insurance scheme, are recognised as an expense in the statement of comprehensive income as incurred.

End of service benefits are accrued in accordance with the terms of employment of the Group’s employees at the balance sheet date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability. The entitlement to these benefits is based upon the employees’ salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

For non-Omani companies the end of service benefits are provided as per the respective regulations in their country.

2.25 Dividends distribution

Dividends are recognised as a liability in the year in which the dividends are approved by the company’s shareholders.

2 Summary of significant accounting policies (continued)

2.26 Directors' remuneration

The Board of Directors' remuneration of the parent company is accrued within the limits specified by the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

2.27 Term loans

Term loans are carried on the statement of financial position at the fair value of the consideration received less directly attributable transaction costs. Installments due within one year are shown as a current liability. Interest expense is accrued on a time-proportion basis with unpaid amounts included in accounts payable and accruals.

2.28 Interest expense and income

Interest expense on borrowings is calculated using the effective interest rate method. Financing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

Borrowing costs comprise interest payable on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as an expense in the year in which they are incurred.

Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield on the asset.

2.29 Segment reporting

An operating segment is the component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transaction with any of the Group's other components, whose operating results are reviewed regularly by the Group CEO (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

2.30 Income tax

Income tax is provided for in accordance with the fiscal regulations of the country in which the Group operates.

Income tax on the profit or loss for the year comprises current and deferred taxation. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in the equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

2 Summary of significant accounting policies (continued)

2.30 Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The assessment regarding adequacy of tax liability for open tax year relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.31 Foreign currency

Transactions denominated in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss except for differences arising in retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, to the extent these hedges are effective, which are recognised in other comprehensive income.

2.32 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rial Omani at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rial Omani at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and are reflected in the exchange reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is transferred to statement of comprehensive income as part of the profit or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of net investment in a foreign operation and are recognised in other comprehensive income, and are presented within the equity in the translation reserve.

2 Summary of significant accounting policies (continued)

2.33 Derivatives

Derivatives are stated at fair value.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability or a highly probable transaction.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

2.34 Determination of fair values

Certain of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

2 Summary of significant accounting policies (continued)

2.34 Determination of fair values (continued)

Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit adjusted risk free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Investments

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the statement of financial position date. (Level 1)

For unquoted investments, a reasonable estimate of the fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted investments. Such investments are measured at cost. (Level 3)

Other interest bearing items

The fair value of interest-bearing items is estimated based on discounted cash flows using market interest rates for items with similar terms and risk characteristics. (Level 3)

3 Financial risk management

3.1 Financial risks factors

Financial instruments carried on the statement of financial position comprise investments, other long term receivables, trade receivables, amount due from related parties, cash in hand and at bank, term loans, bank borrowings, trade and other payables and amount due to related parties.

The Group has exposure to the following risks from its use of financial instruments:
(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables from customers and investments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as below:

	2012	2011
	RO'000	RO'000
Other long term receivables	**8,424**	-
Investments (available-for-sale)	**322**	322
Financial assets at fair value through profit or loss	**16**	16
Trade receivables	**63,182**	77,359
Amount due from related parties	**249**	470
Cash and bank balances	**27,853**	37,354
Financial assets of disposal group classified as held-for-sale	**12,663**	-
	112,709	115,521

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are generally performed on all customers requiring credit over specified amounts. The Group does not require collateral in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, and derivative instruments with positive values, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group limits its liquidity risk by ensuring that bank facilities are available. Short term loans and overdraft are, on average, utilized for period of ninety days to bridge the gap between collections of receivables and settlement of payables during the month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

(b) Liquidity risk (continued)

The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at statement of financial position date is as below:

31 December 2012	**Carrying amount RO'000**	**Contractual cash flows RO'000**	**Upto 1 year RO'000**	**1 year to 5 years RO'000**	**More than 5 years RO'000**
Term loans	**326,434**	**388,984**	**84,731**	**285,506**	**18,747**
Non-current payable and advances	**846**	**846**	**-**	**846**	**-**
Bank borrowings	**5,332**	**5,332**	**5,332**	**-**	**-**
Trade and other payables	**50,065**	**50,065**	**50,065**	**-**	**-**
	382,677	**445,227**	**140,128**	**286,352**	**18,747**

31 December 2011	Carrying amount RO'000	Contractual cash flows RO'000	Upto 1 year RO'000	1 year to 5 years RO'000	More than 5 years RO'000
Term loans	360,744	434,969	111,504	284,091	39,374
Non-current payable and advances	4,485	4,485	-	4,485	-
Bank borrowings	8,245	8,245	8,245	-	-
Trade and other payables	67,143	67,143	67,143	-	-
	440,617	514,842	186,892	288,576	39,374

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

(i) Foreign exchange risk

Trade accounts payable include amount due in foreign currencies, mainly US Dollars, Euros, Pounds Sterling, UAE Dirham and Norwegian Kroner.

At 31 December 2012, if the Rial Omani (RO) has weakened/strengthened by 5% against foreign currencies, with all other variables held constant, the table below indicates the Group's foreign exchange exposure on the profit or loss (due to the fair value of currency sensitive monetary assets and liabilities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

2012	**Effect on profit before tax Increase/decrease in respective Currency rate to the RO '000 +/- 5%**
Euro (EUR)	**12**
Azerbaijan Manat (MNT)	**10**
UK Pound (GBP)	**37**
Norwegian Kroner (NOK)	**3**
Japanese Yen (JPY)	**21**
Singapore Dollars (SGD)	**12**

2011	Effect on profit before tax Increase/decrease in respective Currency rate to the RO '000 +/- 5%
Euro (EUR)	22
Azerbaijan Manat (MNT)	11
Kazakhstan Tenge (KZT)	7
UK Pound (GBP)	33
Norwegian Kroner (NOK)	32
Japanese Yen (JPY)	1
Singapore Dollars (SGD)	23

The Group is also marginally exposed to foreign exchange risk on sales, purchases, receivables and payables arising primarily from GCC currencies and US Dollar exposures which are pegged to the Omani Rial.

(ii) Interest rate risk

The Group's borrowings are on fixed as well as floating interest rate basis. The Group is exposed to interest rate risk due to fluctuation in the market interest rate of floating interest rate borrowings.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2012.

	Increase/decrease in basis points	**Effect on profit for the year RO'000**
2012		
Borrowings converted to Rial Omani	**+15**	**240**
Borrowings converted to Rial Omani	**-10**	**(160)**
2011		
Borrowings converted to Rial Omani	+15	(265)
Borrowings converted to Rial Omani	-10	177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

(c) Market risk (continued)

(iii) Other market price risk

Equity price risk arises from available-for-sale equity securities. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

3.2 Capital risk management

The Group's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as achieve appropriate return on capital.

3.3 Fair value of financial instruments

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RO'000	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**
31 December 2012				
Investments	**16**	**-**	**322**	**338**
Derivative financial instruments	**-**	**(2,301)**	**-**	**(2,301)**
31 December 2011				
Investments	16	-	322	338
Derivative financial instruments	-	(3,584)	-	(3,584)

4 Critical accounting estimates and judgements

4.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

4 Critical accounting estimates and judgements (continued)

4.1 Judgements (continued)

(i) Leases

Management exercises judgments in assessing whether a lease is a finance lease or an operating lease. The judgement as to which category applies to a specific lease depends on management's assessment of whether in substance the risks and rewards of ownership of the assets have been transferred to the lessee. In the instances where management estimates that the risks and rewards have been transferred, the lease is considered as a finance lease, otherwise it is accounted for as an operating lease.

The Group's property, plant and equipment include marine crafts such as barges and other vessels of a specialist nature capable of operating in difficult climatic conditions. Although these vessels are currently leased to a customer under contracts which contain purchase options, the leases have been judged by management to be operating leases.

Management have based this judgement on a number of factors that indicate that, in substance the risks and rewards of owning these vessels remain with the group, including:

- the lease periods are generally for a short term (10 years) when compared with the overall estimated economic life (30 years or more) of the vessels;
- the leases do not automatically transfer the ownership of the vessels at the end of the lease term;
- the Group is responsible for regular dry-docking and insurance in addition to maintenance of the vessels;
- the customer is unlikely to want to bear the cost and responsibility of owning and maintaining these specialised vessels and is, therefore, unlikely to exercise options to purchase;
- the recent renewal by the customer of one major leasing contract for a secondary period despite the purchase option being available to the lessee; and
- the expectation that the customer would wish to renew its contracts for the leases of the vessels from the Group due to the Group's proven track record and established support and services infrastructure in the region of operation.

Management has reached an in-principle agreement with the customer, for the removal of the option to purchase clauses in the contracts and are concluding formal variations to contracts, which is subject to fulfillment of certain conditions.

(ii) Classification of investments

Management decides on acquisition of an investment whether it should be classified as, held for trading, carried at fair value through profit and loss account, or available-for-sale.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through profit and loss account depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of comprehensive income in the management accounts, they are classified as fair value through profit and loss.

All other investments are classified as available-for-sale.

4.2 Estimates and assumptions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

4 Critical accounting estimates and judgements (continued)

4.2 Estimates and assumptions (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amount of goodwill at 31 December 2012 was RO 33.278 million (2011- RO 38.688 million).

(b) Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit, which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade accounts receivable were RO 67.131 million (2011- RO 81.490 million) and the provision for doubtful debts was RO 3.950 million (2011 - RO 4.310 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

(d) Impairment of stock and consumables

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the statement of financial position date, gross inventories were RO 7.014 million (2011 - RO 8.572 million) with provisions for old and obsolete inventories of RO 1.281 million (2011 - RO 0.906 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

(e) Useful lives of property, plant and equipment

The useful lives, residual values and methods of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Group takes guidance from recent acquisitions, as well as market and industry trends.

4 Critical accounting estimates and judgements (continued)

4.2 Estimates and assumptions (continued)

(f) Provision for tax

The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

(g) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. As at the reporting date the cumulative fair value of the interest rate swap was RO 2.301million (2011 - RO 3.584 million).

(h) Accounting for investments

The Group reviews its investment in entities to assess whether the Group has control, joint control or significant influence over the investee. This includes consideration of the level of shareholding held by the Group in the investee as well as other factors such as representation on the Board of Directors of the investee, terms of any agreement with the other shareholders etc. Based on the above assessment the Group decides whether the investee needs to be consolidated, proportionately consolidated or equity accounted in accordance with the accounting policy of the Group.

(k) Determining percentage completion of contracts in progress and estimating foreseeable losses

Contract work-in-progress is stated at cost plus estimated attributable profits less foreseeable losses and progress billings. In determining estimated attributable profits or foreseeable losses, if any, to be recognised, the Group needs to estimate the outcome of each contract and also the percentage of completion of the contract which is determined by the actual cost incurred to date in relation to the total estimated costs. The final results of the contract may differ from the estimates made at the time of preparation of these consolidated financial statements.

5 Profit for the year from continuing operations

Profit for the year is after charging:	2012 RO'000	2011 RO'000
Staff costs	**96,604**	85,244

Finance costs - net

	2012 RO'000	2011 RO'000
Interest expense - net	**20,500**	18,801
Interest on mandatory convertible bonds	**442**	-
Reversal of provision for derivatives used for hedging	**(102)**	(947)
	20,840	17,854

6 Other non-operating expenses

Other non-operating expenses of 2011 amounting to RO 11.418 million from continuing and discontinued operations related to exceptional expenses incurred by the group.

7 Income tax

The expense relates to tax payable on the profits earned by the Group calculated in accordance with the taxation laws and regulations of various countries in which the Group operates.

	2012	2011
	RO'000	RO'000
Charge for the year	**7,288**	5,465
Current tax:		
Current liability	**7,400**	7,373
Non-current liability	**5,184**	4,711
	12,584	12,084
Deferred tax asset		
1 January	**1,255**	448
Credited to statement of comprehensive income	**580**	807
31 December	**1,835**	1,255

The deferred tax balance at 31 December 2012 comprises capital allowances in excess of depreciation charge of RO 1.482 million (2011 - RO 0.912 million), short term timing differences of RO 0.203 million (2011 - RO 0.278 million) and timing differences relating to pension obligations of RO nil (2011 - RO 65,000).

The parent company and its Oman incorporated subsidiaries are subject to income tax at the rate of 12% of taxable income in excess of RO 30,000 in accordance with the Income Tax Law of the Sultanate of Oman.

The parent company's assessments for the tax years 2007 to 2012 have not been finalised with the Secretariat General for Taxation at the Ministry of Finance of the Government of Sultanate of Oman.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

The parent company has filed an appeal to the Tax Committee and the Courts against certain decisions of the Department on disallowances made by the Department in the previous assessments. The main issues under the appeals were taxation of overseas income, taxation of overseas dividend, and disallowances relating to interest and some specific expenses.

The parent company has established provisions at 31 December 2012 against the tax liabilities, which might arise relating to taxation of overseas income and disallowance relating to interest and some specific expenses. As required under the tax laws, the parent company has paid the tax dues relating to those issues and is continuing to appeal to the higher authorities.

8 Property, plant and equipment

	Freehold land and buildings RO'000	Marine vessels RO'000	Jetty and dock RO'000	Machinery and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost								
At **1 January 2012**	92,708	419,756	2,055	39,562	3,171	2,744	37,788	**597,784**
Transfer to current assets	-	(7,217)	-	-	-	-	(901)	**(8,118)**
Additions	7,404	30,959	-	2,400	343	245	10,586	**51,937**
Assets of disposal group classified as held-for-sale	(5,316)	-	(2,015)	(12,699)	(565)	-	(189)	**(20,784)**
Transfers	11,170	16,994	-	723	-	-	(28,887)	**-**
Disposals and adjustments	(18,947)	(4,564)	(40)	(9,078)	(651)	(502)	(4,408)	**(38,190)**
At 31 December 2012	87,019	455,928	-	20,908	2,298	2,487	13,989	**582,629**
Depreciation								
At **1 January 2012**	31,547	80,932	756	25,337	2,446	1,928	-	**142,946**
Transfer to current assets	-	(6,070)	-	-	-	-	-	**(6,070)**
Charge for the year	4,104	19,969	87	4,315	393	321	-	**29,189**
Impairment	-	847	-	-	-	-	-	**847**
Assets of disposal group classified as held-for-sale	(2,479)	-	(843)	(9,090)	(475)	-	-	**(12,887)**
Disposals and adjustments	(15,741)	(3,540)	-	(7,478)	(610)	(413)	-	**(27,782)**
31 December 2012	17,431	92,138	-	13,084	1,754	1,836	-	**126,243**
Net carrying amount								
31 December 2012	**69,588**	**363,790**	**-**	**7,824**	**544**	**651**	**13,989**	**456,386**

8 Property, plant and equipment (continued)

	Freehold land and buildings RO'000	Marine vessels RO'000	Jetty and dock RO'000	Machinery and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost								
At 1 January 2011	89,352	356,190	2,055	34,397	2,947	2,265	20,879	508,085
Transfer from current assets	-	8,078	-	-	-	-	-	8,078
Additions	2,837	37,149	-	5,571	361	610	35,800	82,328
Transfers	519	18,339	-	9	24	-	(18,891)	-
Disposals	-	-	-	(415)	(161)	(131)	-	(707)
At 31 December 2011	92,708	419,756	2,055	39,562	3,171	2,744	37,788	597,784
Depreciation								
At 1 January 2011	26,637	64,193	648	21,257	2,087	1,708	-	116,530
Charge for the year	4,910	16,739	108	4,271	509	338	-	26,875
Transfers	-	-	-	8	(8)	-	-	-
Disposals	-	-	-	(199)	(142)	(118)	-	(459)
At 31 December 2011	31,547	80,932	756	25,337	2,446	1,928	-	142,946
Net carrying amount								
31 December 2011	61,161	338,824	1,299	14,225	725	816	37,788	454,838

8 Property, plant and equipment (continued)

Most of the assets including vessels, plant and equipment, buildings and other assets are pledged against bank loans and bank borrowings.

Marine vessels with a net book value of RO 346.299 million (2011- RO 296.125 million) and plant and machinery with a net book value of RO nil (2011- RO 3.543 million) are pledged against bank loans obtained. Buildings with a net book value of RO 139,000 (2011 - RO 3.782 million) are pledged against bank overdrafts (note 18).

Included in the disposals and adjustments contained in the movement schedule of property, plant and equipment above, are assets with cost and accumulated depreciation of RO 6,529,711 that were transferred to the general contractor of the Overseas Division of the parent company in 2005. These assets though fully depreciated and transferred in 2005 were not removed in the Property, plant and equipment schedule of the financial statements of 2005.

Buildings with a net book value amounting to RO 0.732 million (2011 - RO 2.458 million) are situated on leasehold land which is renewable every year. The management believes that the lease will continue to be available to the Group for the foreseeable future.

Capital work-in-progress includes progress payments for the construction of new vessels and workshop facilities for marine repair and fabrication and construction.

Advances or deposits paid for construction or acquisition of assets are classified as advances to suppliers and contractors, and the amount will be transferred to capital work-in-progress after the commencement of construction.

During the year, the Group has capitalised borrowing costs amounting to RO 169,754 (2011 - RO 1,114,000).

The depreciation charge related to continuing operations has been allocated in the statement of comprehensive income as follows:

	2012 RO'000	2011 RO'000
Operating expenses	**25,614**	23,251
Administrative expenses	**1,226**	1,290
	26,840	24,541

9 Intangible assets

The carrying amount of intangible assets as at 31 December consists of the following:

	2012 RO'000	2011 RO'000
Goodwill (a)	**33,278**	38,688
Computer software (b)	**258**	183
At 31 December	**33,536**	38,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

9 Intangible assets (continued)

(a) Goodwill

	2012 RO'000	2011 RO'000
Initial goodwill	**44,656**	44,656
Exchange differences	**114**	-
Disposal	**(4,696)**	-
Transfer to assets classifies as held-for-sale (note 16)	**(257)**	-
At 31 December	**39,817**	44,656
Impairment		
At 1 January	**5,968**	5,968
Impairment	**571**	-
At 31 December	**6,539**	5,968
Net carrying amount		
31 December	**33,278**	38,688

Goodwill represents the excess of the cost of acquiring shares in certain subsidiary companies over the aggregate fair value of the net assets acquired.

The carrying amount of goodwill at 31 December allocated to each of the cash-generating units is as follows:

	2012 RO'000	2011 RO'000
Topaz Energy and Marine Limited	**28,821**	29,079
Tawoos Industrial Services Company LLC	**1,900**	1,900
Al Wasita Emirates Catering Services LLC	**-**	4,696
Norsk Offshore Catering AS	**1,121**	1,007
Others (UMS and NTI)	**1,436**	2,006
	33,278	38,688

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management. The key assumptions of the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to each cash-generating unit. The growth rates are based on management estimates having regard to industry growth rates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to be materially exceed its recoverable amount.

9 Intangible assets (continued)

(a) Goodwill (continued)

For the year ended 31 December 2012, there have been no events or changes in circumstances to indicate that the carrying values of goodwill of the above cash-generating units may be impaired. National Hospitality Institute SAOG (NHI) incurred losses continuously and accordingly, goodwill related to NHI was impaired amounting to RO 0.571 million.

(b) Computer software

	2012 **RO'000**	2011 RO'000
1 January	**183**	167
Additions	**94**	49
Amortisation	**(19)**	(33)
31 December	**258**	183

Computer software costs represent expenditure incurred on implementing an ERP solution for the Group. Amortisation is charged on a straight line basis over a period of five years, from the date of completion.

10 Subsidiaries and associates

(a) The Group and parent company investments in subsidiary and associate companies are as follows:

	Ownership interest (%)	
	2012	2011
Subsidiary companies		
Topaz Energy and Marine Limited (TOPAZ) (incorporated in the UAE)	**100**	100
Tawoos Industrial Services Company LLC (TISCO)	**100**	100
United Media Services Company LLC (UMS)	**100**	100
National Training Institute LLC (NTI)	**100**	100
National Hospitality Institute SAOG (NHI)	**46**	46
Renaissance Energy Limited (REL) (incorporated in the UAE)	**100**	100
Associate companies		
Dubai Wire FZE (DW) (incorporated in the UAE)	**37.65**	37.65
Global Fasteners Limited (GFL) (incorporated in the Isle of Man)	**43.50**	43.50
Skills Development Training Institute LLC (previously known as National Saudi Training Institute for Development LLC) (incorporated in KSA)	**49**	49

The parent company provided a corporate guarantee to a bank to provide financing facilities and working capital loan to DW and GFL. The corporate guarantees have been provided jointly and severally by both the parent company and the other shareholder (refer note 27). The outstanding amount of guarantee as at 31 December 2012 was RO 5.25 million (2011 - RO 15.4 million). The Group does not anticipate material liabilities to arise from outstanding guarantees. During the year investment in these associates was classified as held-for-sale (refer note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

10 Subsidiaries and associates (continued)

(b) The Group's subsidiaries have investments in the following subsidiaries:

	Ownership interests (%)	
	2012	2011
Subsidiary Companies of TOPAZ		
Nico Middle East Limited (incorporated in Bermuda)	**100**	100
Topaz Holding Limited (incorporated in the UAE)	**100**	100
Topaz Energy and Marine Plc (incorporated in the UK)	**100**	100
Topaz Engineering Limited (incorporated in Bermuda)	**100**	100

(i) Nico Middle East Limited has a subsidiary BUE Marine Ltd, incorporated in UK, which operates through its subsidiaries and is engaged principally in charter of marine vessels and vessel management.

(ii) In 2011 Topaz incorporated a new wholly owned subsidiary Topaz Energy and Marine Plc (Topaz Energy) in the UK with the objective of listing Topaz in the London Stock Market and raising equity capital from the public markets. At 31 December 2012 Topaz Energy and Marine Plc was dormant.

(c) Subsidiary Companies of TISCO	Ownership interests (%)	
	2012	2011
Rusail Catering and Cleaning Services LLC (RCCS)	**100**	100
Supraco Limited (incorporated in Cyprus)	**100**	100
Renaissance Contract Services International LLC (RCSI)	**100**	100
Al Wasita Catering Services LLC (Al Wasita)	**100**	100

(i) Al Wasita through its subsidiary (Al Wasita Emirates Catering Services LLC) in UAE provides catering services. In 2012, the Group disposed Al Wasita Emirates Catering Services LLC (Al Wasita Emirates). The disposal comprises of the share sale of the company with effective disposal date of 31 March 2012 as per share purchase agreement ("SPA") between TISCO, Al Wasita, Yaghnam International Inc. and Ventures Cayman Limited. Total consideration received was AED 93,831,678 equivalent to RO 9,832,621. The part of sale proceed was receivable over the period of five years and accordingly it was fair valued at appropriate discount rate resulting in to fair value loss of RO 314,762 which was recognised in statement of comprehensive income.

(ii) Supraco Limited through its subsidiaries in Norway provides contract catering services.

(iii) RCSI through its subsidiaries in Angola and UAE provides catering and allied services in the respective countries. RCSI subsidiaries in Iraq, Qatar and Dubai, UAE are dormant as at 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10 Subsidiaries and associates (continued)

	Ownership interests (%)	
	2012	2011
(d) Subsidiary companies of UMS		
United Press and Publishing Company LLC (UPP)	**100**	100
Oryx Advertising Company WLL (incorporated in Qatar)	**49**	49
UMS International FZ LLC (incorporated in UAE	**100**	-
(e) Subsidiary company of NHI		
Nakshatra Hospitality India Private Limited (NHI India) (incorporated in India)	**100**	100
(f) Subsidiary company of NTI		
National Training Institute Qatar WLL (NTI Qatar) (incorporated in Qatar)	**100**	100

As at 31 December 2012, NHI India and NTI Qatar were dormant.

Except as otherwise stated, the companies are incorporated in Oman.

11 Investments

	2012	2011
	RO'000	RO'000
Non-current investments		
Investment in associate companies (i) (note 16)	**-**	1,597
Available-for-sale investments (ii)	**322**	322
	322	1,919

(i) The movement in the carrying value of the Group's investments in associates is as follows:

	2012	2011
	RO'000	RO'000
1 January	**1,597**	1,343
Investment made during the year	**-**	76
Reclassification from available for sale investments	**-**	69
Share in associates' (loss)/profits	**(10)**	109
Investment classified as held-for-sale (note 16)	**1,587**	-
	-	1,597

(ii) Available-for-sale investments

Available-for-sale investments represent the cost of investments in the following entities:

	Ownership interest (%)	
	2012	2011
Fund for Development of Youth Projects SAOC	**2.33**	2.33
Industrial Management Technology & Contracting LLC	**1.25**	1.25

12 Investments in jointly controlled entities

During the year the Group disposed certain jointly controlled entities and acquired controlling interest in the remaining jointly controlled entities resulting in them being classified as subsidiaries and divisions. Accordingly as at 31 December 2012, the Group has no investment in jointly controlled entities.

13 Inventories and work-in-progress

	2012	2011
	RO'000	RO'000
Stock and consumables – net	**5,733**	7,666
Work-in-progress	**3,497**	1,325
Vessel	**1,147**	-
	10,377	8,991

14 Trade and other receivables

	2012	2011
	RO'000	RO'000
Current		
Trade receivables - net	**63,182**	77,359
Prepayments and other receivables	**15,236**	24,658
Advances to suppliers and contractors	**2,398**	7,966
Amounts due from related parties (note 26)	**249**	470
	81,065	110,453
Non-current		
Other long term receivables	**8,424**	-

(a) As at 31 December 2012, trade receivables of RO 3.949 million (2011 - RO 4.131 million) were impaired and provided for.

(b) Other long term receivables represent, costs to mobilise certain vessels and will be amortised over the contract period.

(c) Movements in the allowance for impairment of receivables were as follows:

	2012	2011
	RO'000	RO'000
At 1 January	**4,131**	3,725
Charge for the year	**960**	612
Amounts written-off	**(381)**	(206)
Transfer of assets to disposal group held-for-sale	**(761)**	-
At 31 December	**3,949**	4,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

14 Trade and other receivables (continued)

(d) As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total RO'000	**Neither past due nor impaired RO'000**	**< 30 days RO'000**	**30 – 60 days RO'000**	**60 – 90 days RO'000**	**90 – 120 days RO'000**	**>120 days RO'000**
2012	**63,182**	**43,766**	**7,824**	**3,205**	**1,995**	**2,354**	**4,038**
2011	77,359	50,885	10,537	7,077	3,161	2,083	3,616

(e) Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

15 Cash and bank balances

	2012 RO'000	2011 RO'000
Cash and bank balances	**27,853**	37,354
Bank borrowings (note 23)	**(5,332)**	(8,245)
Cash and cash equivalents	**22,521**	29,109

Included in cash and bank balances are fixed deposits of RO 5,201,500 (2011 - RO 17,869,000) maintained with commercial banks. These are denominated mainly in Rial Omani, US Dollar, and UAE Dirham are short-term in nature.

16 Non-current assets held for sale and discontinued operations

	2012 RO'000
Assets of disposal group (a)	**26,794**
Investment in associates (note 11) (b)	**1,587**
	28,381

(a) The assets and liabilities related to Topaz Oil and Gas division (part of the Engineering segment) have been presented as held-for-sale following the approval of the Group's Board of Directors on 19 December 2012 to sell Adyard Abu Dhabi LLC and Nico Hydrospace Fujairah. The transaction is expected to be completed in 2013.

(i) Assets of disposal group classified as held-for-sale

	2012 RO'000
Property, plant and equipment	**7,905**
Other intangible assets	**257**
Inventories	**5,969**
Other current assets	**12,663**
	26,794

16 Non-current assets held for sale and discontinued operations (continued)

(ii) Liabilities of disposal group classified as held-for-sale

	2012 RO'000
Trade and accrued expenses	**17,182**
Bank overdraft and short term loans	**1,937**
Other non-current liabilities	**2,634**
	21,753

(iii) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group is as follows:

	2012 RO'000	2011 RO'000
Revenue	**44,477**	45,548
Expenses	**(57,029)**	(53,596)
Loss before tax of discontinued operations	**(12,552)**	(8,048)
Tax	**-**	-
Loss after tax of discontinued operations	**(12,552)**	(8,048)

(iv) Analysis of the cash flows of discontinued operations is as follows:

	2012 RO'000	2011 RO'000
Operating cash flows	**(4,871)**	(2,387)
Investing cash flows	**(205)**	(2,385)
Financing cash flows	**4,858**	4,286
Total cash flows	**(218)**	(486)

(b) During the year, the Group management decided to sell the investments in associate companies i.e. Dubai Wire and Global Fastener Limited following the approval of Board on 12 August 2012. The Group management believes that the sale transaction will be completed within one year from the date of Board approval. Accordingly, at 31 December 2012, the investments in these associates are classified as assets held for disposal under IFRS 5. The carrying amount of these investments as at 31 December 2012 was RO 1.587 million.

17 Capital and reserves

(a) Share capital

The authorised share capital of the Parent Company comprises 400,000,000 ordinary shares of RO 0.100 each (2011- 400,000,000 of RO 0.100 each). At 31 December 2012, the issued and fully paid up share capital comprised 282,094,452 ordinary shares of RO 0.100 each (2011 - 282,094,452 of RO 0.100 each).

Details of shareholders, who own 10% or more of the parent company's share capital, are as follows:

	2012		2011	
	Number of shares '000	%	Number of shares '000	%
Tawoos LLC	**42,538**	**15.08**	42,538	15.08

17 Capital and reserves (continued)

(b) Legal reserve

The Omani Commercial Companies Law of 1974 requires that 10% of an entity's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the entity's issued share capital. The legal reserve is not available for distribution. Legal reserve also includes transfer relating to non-Oman registered subsidiary companies as per the respective regulations in their country of incorporation. The parent company utilises the share premium for transfers to legal reserve. Transfers to legal reserves made during the year relates to the legal reserves of certain subsidiaries.

(c) Treasury shares

These are shares held by certain subsidiaries in the parent company at the cost of RO 1,703,826 (2011- RO 1,703,826). Dividend received on these treasury shares have been directly transferred to retained earnings and shown as movement in the statement of changes in equity. At 31 December 2012, the subsidiaries held 14,554,586 shares (2011- 14,554,586) in the parent company. The market value of these shares at 31 December 2012 was approximately RO 7.394 million (2011 - RO 7.932 million). Treasury shares are pledged against a bank loan.

(d) Share premium

The Group utilises the share premium for issuing bonus shares and transfers to legal reserve. No such transfers took place during 2012.

(e) Subordinated loan reserve

As per the subordinated loan agreement, the parent company is required to create a subordinated reserve by transferring an amount equal to 1/7th of the outstanding aggregate amount of loan notes out of annual profit after tax of the parent company from 31 December 2011. In order to meet the objectives of the loan agreement, the parent company has made a transfer of RO 5.715 millions (2011 - RO 5.714 millions) from retained earnings to subordinated loan reserve during the year.

(f) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(g) Exchange reserve

The exchange reserve comprises of foreign currency differences arising from the translation of the financial statements of foreign operations.

18 Term loans

31 December 2012	**Total RO'000**	**1 year or less RO'000**	**2 -5 Years RO'000**	**More than 5 years RO'000**
Parent company - term loans	**117,218**	**24,067**	**79,763**	**13,388**
Parent company - subordinated loan	**40,000**	**-**	**30,000**	**10,000**
Subsidiary companies	**169,216**	**33,622**	**126,336**	**9,258**
	326,434	**57,689**	**236,099**	**32,646**

18 Term loans (continued)

31 December 2011	Total RO'000	1 year or less RO'000	2 -5 Years RO'000	More than 5 years RO'000
Parent company – term loans	140,452	25,898	99,213	15,341
Parent company - subordinated loan	40,000	-	30,000	10,000
Subsidiary companies	180,292	47,960	112,199	20,133
	360,744	73,858	241,412	45,474

Included in term loans from bank are the following:

Term loans in parent company

Term loans in parent company amounting to RO 117.218 million (2011- RO 140.452 million) are secured by charge over certain assets, investment rights on leasehold land, assignment of certain project receivables, assignment of insurance interests in certain contract assets and guarantees.

Subordinated loan in parent company

In 2011, the parent company has raised a subordinated loan of RO 40,000,000 through an issue of subordinated loan notes, which is secured by a second charge over the assets of the parent company and its subsidiaries. The loan has been raised by the parent company for funding its subsidiary company, Topaz for meeting the financing requirements of the expansion plans in Topaz's marine and engineering businesses.

The first drawdown of RO 20,000,000 of the loan was made on 6 December 2011 and the second drawdown of RO 20,000,000 on 28 February 2012. The tenure of the loan is 7 years with repayment of four annual installments of RO 10,000,000 with effect from November 2014. Pursuant to the subordinated loan agreement, the parent company is required to restrict dividends, raise additional capital and create a subordinated loan reserve by transferring an amount equal to $1/7^{th}$ of the outstanding aggregate amount of loan notes out of annual profit after tax of the company from 31 December 2011. The subordinated loan carries a fixed interest rate of 8.5% per annum. During the year, the parent company has made a transfer of RO 5.715 million (2011 - RO 5.714 million) from retained earnings to a subordinated loan reserve.

Term loans in subsidiaries

Term loans relating to Topaz

The term loans of Topaz amounting to RO 169.216 million (2011 - RO 175.554 million) are denominated either in USD or UAE Dirham and are secured by a first preferred mortgage over certain assets of the subsidiaries, the assignment of marine vessel insurance policies, corporate guarantees, lien on fixed deposits and the assignment of the marine vessel charter lease income. The equipment finance loan is secured against plant and machinery acquired with the proceeds of the loan. The property loan is secured by first preferred mortgage over the underlying property.

The borrowing arrangements include undertakings to comply with various covenants like senior interest cover, current ratio, debt to EBITDA ratio, gearing ratio, total assets to net worth ratio and equity ratio including an undertaking to maintain a minimum net worth of Topaz which, at no time, shall be less than RO 115.500 million (2011- RO 115.385 million). Term loans carry interest rates ranging from 2% to 7.5% per annum (2011- 2% to 7.5% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

18 Term loans (continued)

Term loans are disclosed in the statement of financial position as:

	2012	2011
	RO'000	RO'000
Non-current liabilities	268,745	286,886
Current liabilities	57,689	73,858
	326,434	360,744

19 Mandatory convertible bonds

During the year the parent company issued 423,141,678 Mandatory Convertible Bonds (MCB) at RO 0.102 each (including RO 2 baizas for expenses) on 26 July 2012. The Group companies subscribed 132,560,468 bonds out of the total issue. The bonds carry a coupon rate of 3.75% per annum. The MCB shall be converted at face value through conversion into equity shares of the parent company at the conversion price. The conversion will be carried out in three tranches of 33.33% in third and fourth year each and 33.34% in fifth year from the issue date. The number of outstanding MCBs shall decline upon each conversion into equity shares, so as to fully convert all the outstanding MCBs at the end of fifth anniversary from the issue date. The conversion price shall be equal to the average of the closing market price of the shares, as quoted on Muscat Securities Market (MSM), in the 30 days prior to the respective date of conversion, subject to adjustments including rights issue, stock dividend, split and reverse split of shares divided by the conversion factor (1.7). The bonds are listed on MSM and classified as liabilities in accordance with the guidance given in IAS-32 'Financial instrument: Presentation'.

20 Non-current payables and advances

	2012	2011
	RO'000	RO'000
Deferred income	2,238	1,172
Income tax payable	5,184	4,711
Other payables and advances	846	4,485
	8,268	10,368

21 Staff terminal benefits

Movement in the liability recognised in the statement of financial position is as follows:

	2012	2011
	RO'000	RO'000
At 1 January	6,657	5,667
Accrued during the year	2,387	1,702
Reclassification from accrued expenses	76	-
Pension obligations relating to a subsidiary	(228)	228
Payments during the year	(1,637)	(940)
Transfer to liabilities of disposal group held-for-sale	(1,716)	-
At 31 December	5,539	6,657

Significant amount of terminal benefits as at 31 December 2012 comprised of end of service obligations of Topaz (2012 - RO 2,779,000; 2011 - RO 3,967,000). Principal actuarial assumptions for Topaz at the reporting date are:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

21 Staff terminal benefits (continued)

- Normal retirement age : 60-65 years (2011- 60-65 years).
- Mortality, withdrawal and retirement: 5% (2011 - 5%) turnover rate. Due to the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used for maturity, withdrawal and retirement.
- Discount rate: 5.25% (2011 - 5.25%) p.a.
- Salary increases: 3% to 5% (2011 - 3% to 5%) p.a.

The pension scheme of one of Group's overseas subsidiary covers a total of 349 employees (2011- 300 employees). The pension scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from the national insurance fund. The obligations are covered through an insurance company. The calculated pension obligations are based on actuarial valuations.

The actuarial valuations are based on assumptions of demographical factors normally used within the insurance industry.

22 Trade and other payables

	2012	2011
	RO'000	RO'000
Trade payables	**19,224**	25,928
Accrued expenses and other payables	**30,579**	40,065
Income tax payable	**7,400**	7,373
Amounts due to related parties (note 26)	**262**	1,150
	57,465	74,516

23 Bank borrowings

Certain of the Group's bank borrowings are secured by a registered first mortgage over Group's certain assets, guarantees and assignment of receivables. Bank borrowings carry interest rates ranging from 3% to 8% per annum (2011 - 4% to 9% per annum).

24 Net assets per share

Net assets per share is calculated by dividing the net assets at the year end attributable to the shareholders of the parent company by the number of shares outstanding as follows:

	2012	2011
Net assets	**RO'000**	RO'000
Net assets	**194,938**	193,167
Non-controlling interest	**(28,740)**	(26,673)
Net assets attributable to the shareholders of the Parent Company	**166,198**	166,494
Number of shares		
Number of shares at 1 January ('000)	**282,094**	282,094
Treasury shares (refer note 17) ('000)	**(14,555)**	(14,555)
Number of shares at 31 December ('000)	**267,539**	267,539
Net assets per share (RO)	**0.621**	0.622

25 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the net profits for the year attributable to the shareholders of the parent company by the weighted average number of shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares as follows:

	2012	2011
Net profit for the year attributable to the shareholders of the parent company (RO'000) from continuing operations	**10,975**	5,403
Net (loss) profit for the year attributable to the shareholders of the Parent Company (RO'000) from discontinued operations	**(12,352)**	(6,403)
Weighted average number of shares		
Number of shares at 1 January ('000)	**282,094**	282,094
Less: weighted average number of treasury shares ('000)	**(14,555)**	(14,555)
Weighted average number of shares ('000)	**267,539**	267,539
Basic earnings per share from continuing operations (expressed in Rial Omani)	**0.041**	0.020
Basic loss per share from discontinued operations (expressed in Rial Omani)	**(0.046)**	(0.024)
Net loss per share for the year	**(0.005)**	(0.004)

(b) Diluted

Diluted earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the parent company for the period by the weighted average number of ordinary shares including dilutive potential ordinary shares issued on the conversion of convertible bonds. The impact of potential ordinary shares is antidilutive. Accordingly, dilutive earnings is not required to be disclosed as per the guidance given in IAS – 33 'Earning Per Share'

26 Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which these related parties have the ability to control or exercise significant influence in financial and operating decisions.

The Group has balances with these related parties which arise in the normal course of business. Outstanding balances at year end are unsecured and settlement occurs in cash.

The Group entered into transactions in the ordinary course of business with related parties other affiliates and parties in which certain members and senior management have a significant influence (other related parties).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

26 Related parties (continued)

(a) Significant related party transactions during the year are listed below:

	2012 RO'000	2011 RO'000
Income		
Service rendered and sales	**50**	360
Net advances due to related parties		
Net advances	**1,965**	4,201
Expenses		
Services received and purchases	**435**	1,217
Directors' remuneration and sitting fees		
Sitting fees	**50**	24

Remuneration and sitting fees above relate only to the parent company.

Out of above related party transactions, following are the details of transactions entered into with the related parties holding 10% or more interest in the Parent Company:

	2012 RO'000	2011 RO'000
Service rendered and sales	**25**	21

(b) Compensation of key management personnel

The remuneration of key management personnel during the year are as follows:

	2012 RO'000	2011 RO'000
Short-term benefits	**1,057**	804
Employees' end of service benefits	**175**	40
	1,232	844

Topaz Energy and Marine Limited has paid RO 270,900 (2011: RO 270,900) as remuneration to its Executive Chairman who is also the Chairman of the parent company.

(c) Amounts due from and due to related parties have been disclosed in notes 14 and 22 respectively.

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2012, the Group has not recorded any impairment of amounts due from related parties (2011 - Nil).

(d) Details of guarantees provided by the Group to associates are given in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

27 Commitments and contingent liabilities

	2012 RO'000	2011 RO'000
Commitments		
Letters of credit	**430**	8,405
Capital expenditure commitments	**90**	28,710
	520	37,115
Contingent liabilities		
Corporate guarantee	**5,250**	15,435
Letters of guarantee	**22,039**	48,106
Bills discounted – receivables	**-**	992
	27,289	64,533

The contingent liabilities are non-cash banking instruments like bid bonds, performance bonds, refund guarantee retention bonds etc, which are issued by banks on behalf of group companies to customers and suppliers under the non-funded working capital lines with the banks. These lines are secured by the corporate guarantee from various group entities. The amounts are payable only in the event when certain terms of contracts with customers or suppliers are not met.

28 Leases

a) Operating lease receivables

The Group leases its marine vessels under operating leases. The leases typically run for a period between 3 months to 10 years and are renewable for similar periods after the expiry date. The lease rental is usually renewed to reflect market rentals.

Future minimum lease rentals receivable under non-cancellable operating leases at 31 December are as follows:

	2012 RO'000	2011 RO'000
Within one year	**100,791**	67,986
Between one and five years	**143,422**	151,927
More than five years	**44,147**	50,667
	288,360	270,580

b) Operating lease payables

The Group has future minimum lease payments under operating leases for marine vessels with payments as follows:

	2012 RO'000	2011 RO'000
Within one year	**14,320**	7,005
Between one and five years	**39,822**	23,807
More than five years	**10,339**	11,327
	64,481	42,139

During the year an amount of RO 4.666 million (2011 - RO 9.299 million) was recognised as an expense in the statement of comprehensive income in respect of bareboat charter of marine vessels obtained on operating lease.

29 Derivative financial instruments

The table below shows the fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Notional amounts by term to maturity					
	Positive fair value RO'000	Negative fair value RO'000	Notional amount Total RO'000	Within 1 year RO'000	Over 1 year to 5 years RO'000	Over 5 years RO'000
31 December 2012						
Interest rate swaps	-	2,301	54,869	38,907	15,962	-
31 December 2011						
Interest rate swaps	-	3,584	85,620	10,283	72,148	3,189

The term loan facilities of the Group bear interest at US LIBOR plus applicable margins. In accordance with the financing documents, the Group has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") as follows:

- RO 15,400,000 (2011 - RO 21,150,000) at a fixed interest rate of 3.95% (2011 - 3.95%) per annum excluding margin;
- RO nil (2011 - 20,785,000) at a fixed margin of 2.5% (2011 - 2.5%) per annum excluding margin;
- RO 19,230,000 (2011 - RO 19,230,000) at the rate of 2% (2011 - 2%) per annum excluding margin;
- RO 2,283,000 (2011 - RO 2,762,000) at the rate of 3.25% (2011 - 3.25%) per annum excluding margin ; and
- RO 17,903,000 (2011 - 21,692,000) at the rate of 1.97% (2011 - 1.97%) per annum excluding margin.

At 31 December 2012, the US LIBOR was approximately 0.51% (31 December 2011- 0.77%) per annum. Accordingly, the gap between US LIBOR and fixed rate under IRS was approximately 3.44%, nil%, 1.49%, 2.74% and 1.46% (2011 - 3.18%, 1.73%, 1.23%, 2.48% and 1.20%) per annum.

Based on the interest rates swaps, over the life of the IRS, the indicative losses were assessed at approximately RO 2.301 million (2011 - RO 3.584 million) by the counter parties to IRS. Consequently, in order to comply with International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* fair value of the hedge instruments' indicative losses in the amount of approximately RO 2.301million (2011 - 3.584 million) has been recorded under the current and non-current liabilities and the impact for the year amounting to RO 102,000 (2011 - RO 947,000) has been recorded under the finance income and RO 1.044 million (2011 - RO 1.628 million) has been recognised in the hedging reserve.

30 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

Engineering services: includes ship repair and ship building activities.

Marine services: includes vessel chartering to oil and gas off shore companies.

Contract services: includes facilities management, facilities establishment, contract catering and operations and maintenance services.

Other operations include the provision of training services, media publishing, advertising and distribution, manufacturing, general trading, investments and related activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO (chief operating decision-maker). Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

30 Operating segments (continued)

Information about reportable segments:

	Engineering services		Marine services		Contract services		Others		Adjustments		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Total revenues	**30,064**	37,108	**119,260**	112,995	**102,716**	100,974	**13,209**	11,164	**(878)**	(859)	**264,371**	261,382
Less: Inter-segment revenue	**(6,631)**	(16,245)	**(297)**	(493)	**-**	(174)	**(166)**	(96)	**-**	-	**(7,094)**	(17,008)
External revenue	**23,433**	20,863	**118,963**	112,502	**102,716**	100,800	**13,043**	11,068	**(878)**	(859)	**257,277**	244,374
Net finance (costs)/income	**(98)**	(162)	**(16,865)**	(13,607)	**(3,330)**	(3,203)	**(396)**	(853)	**(151)**	(29)	**(20,840)**	(17,854)
Depreciation and amortisation	**(961)**	(1,266)	**(20,748)**	(17,028)	**(4,707)**	(5,348)	**(456)**	(643)	**13**	(289)	**(26,859)**	(24,574)
Reportable segment profit after income tax (continuing operations)	**(3,912)**	(7,015)	**10,383**	15,649	**10,785**	8,931	**(1,481)**	(7,524)	**(165)**	298	**15,610**	10,339
Reportable segment loss after income tax (discontinued operations)	**(12,552)**	(8,048)	**-**	-	**-**	-	**-**	-	**-**	-	**(12,552)**	(8,048)
Reportable segment assets	**17,546**	70,534	**463,343**	410,592	**140,111**	137,514	**59,429**	91,667	**(60,615)**	(56,610)	**619,814**	653,697
Assets of disposal group classified as held-for-sale	**26,794**	-	**-**	-	**-**	-	**1,587**	-	**-**	-	**28,381**	-
Capital expenditure	**525**	3,918	**37,787**	47,354	**13,092**	18,163	**533**	370	**-**	12,523	**51,937**	82,328
Reportable segment liabilities	**13,565**	46,333	**300,811**	207,499	**81,109**	85,685	**164,093**	230,417	**(128,074)**	(109,404)	**431,504**	460,530
Liabilities of disposal group classified as held-for-sale	**21,753**	-	**-**	-	**-**	-	**-**	-	**-**	-	**21,753**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

30 Operating segments (continued)

Geographical segments:

Revenue based on the geographical location of the business activities is as follows:

	2012 RO'000	2011 RO'000
Oman	**81,188**	65,254
Middle East and North Africa (excluding Oman)	**54,882**	51,976
Caspian	**65,710**	78,239
Others	**55,497**	48,906
	257,277	244,374

31 Comparative figures

Certain comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications did not result in changes to previously reported total comprehensive income or equity.

Report of the Auditors is set forth on page 1 and 2.