RENAISSANCE SERVICES SAOG
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Renaissance Services SAOG** (the company) and its subsidiaries (together, the Group) contained on pages 3 to 61 which comprise the consolidated statement of financial position as at 31 December 2013 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 consolidated 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 judgement, 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP, Hatat House A, Suites 204-210, Wadi Adai, P. O. Box 3075, Ruwi, Post Code 112, Muscat, Sultanate of Oman, T: +968 2 455 9110, F: +968 2 456 4408, www.pwc.com/middle-east

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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.

3 March 2014
Muscat, Sultanate of Oman

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عُمان
PricewaterhouseCoopers LLP
Oman

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RO'000	2012 (Restated note 2.1(h)) RO'000
Continuing operations			
Revenue	31	**239,263**	221,123
Operating costs		**(165,395)**	(154,570)
Gross profit		**73,868**	66,553
Administrative expenses		**(25,606)**	(20,242)
Profit from operations		**48,262**	46,311
Finance costs	5	**(23,115)**	(20,747)
Amortisation of intangible assets		**(31)**	(19)
Loss on investments	6	**(857)**	(345)
Profit before tax		**24,259**	25,200
Taxation	7	**(8,684)**	(7,178)
Profit for the year from continuing operations		**15,575**	18,022
Discontinued operations			
Profit/(loss) for the year from discontinued operations	17	**3,205**	(14,964)
Profit for the year		**18,780**	3,058
Profit attributable to:			
Owners of the parent		**11,298**	(1,377)
Non-controlling interests		**7,482**	4,435
		18,780	3,058
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences		**(150)**	101
Reclassification on discontinuance of hedge accounting		**-**	964
Effective portion of changes in fair value of cash flow hedges		**875**	80
Items that may not be subsequently reclassified to profit or loss			
Change in actuarial losses on valuation of pension liabilities		**(243)**	(775)
		482	370
Total comprehensive income for the year		**19,262**	3,428
Attributable to:			
Owners of the parent		**11,780**	(1,007)
Non-controlling interests		**7,482**	4,435
Total comprehensive income for the year		**19,262**	3,428
Total comprehensive income from:			
Continuing operations		**16,057**	18,392
Discontinued operations		**3,205**	(14,964)
		19,262	3,428

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

The notes on pages 9 to 61 form an integral part of these consolidated financial statements.

Report of the Auditors - pages 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

	Note	2013	2012 (Restated note 2.1(h))
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in Rial Omani)			
Basic earnings per share			
From continuing operations	26	**0.030**	0.051
From discontinued operations		**0.012**	(0.056)
From profit for the year		**0.042**	(0.005)
Diluted earnings per share			
From continuing operations	26	**0.027**	0.051
From discontinued operations		**0.009**	(0.056)
From profit for the year		**0.036**	(0.005)

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

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Report of the Auditors - pages 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 RO'000	2012 (Restated note 2.1(h)) RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	502,826	456,386
Intangible assets	9	31,975	33,536
Other long-term receivables	14	3,872	8,424
Investments	11	322	322
Deferred tax asset	7	1,274	2,282
		540,269	500,950
Current assets			
Financial assets at fair value through profit or loss		16	16
Inventories	12	4,044	6,880
Trade and other receivables	14	78,779	84,422
Cash and bank balances	15 & 16	86,092	27,853
		168,931	119,171
Assets of disposal group classified as held-for-sale	17	16,651	28,381
		185,582	147,552
Total assets		725,851	648,502
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	28,209	28,209
Share premium		19,496	19,496
Treasury shares		(1,704)	(1,704)
Legal reserve		9,718	10,530
Subordinated loan reserve		17,143	11,429
Retained earnings		103,437	97,582
Hedging reserve		60	(815)
Exchange reserve		72	222
		176,431	164,949
Non-controlling interests		36,456	28,740
Total equity		212,887	193,689
LIABILITIES			
Non-current liabilities			
Borrowings	19	351,580	268,745
Mandatory convertible bonds	20	38,948	28,466
Non-current payables and advances	21	4,112	6,030
Deferred income		1,612	2,238
Staff terminal benefits	22	5,041	7,134
		401,293	312,613
Current liabilities			
Trade and other payables	23	59,699	57,426
Bank overdrafts	16 & 24	139	5,332
Borrowings	19	36,158	57,689
		95,996	120,447
Liabilities of disposal group classified as held-for-sale	17	15,675	21,753
		111,671	142,200
Total liabilities		512,964	454,813
Total equity and liabilities		725,851	648,502
Net assets per share (RO)	25	0.659	0.616

The financial statements on pages 3 to 61 were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2014.

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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 - pages 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		Attributable to shareholders' of the parent company										
	Note	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 reserve s RO '000	Exchange reserves RO'000	Total RO'000	Non-controlling interests RO'000	Total RO'000
At 1 January 2012 – as previously reported		28,209	19,496	(1,704)	10,771	5,714	105,746	(1,859)	121	166,494	26,673	193,167
Effect of actuarial losses due to revised IAS -19		-	-	-	-	-	(474)	-	-	(474)	-	(474)
At 1 January 2012 (restated)		28,209	19,496	(1,704)	10,771	5,714	105,272	(1,859)	121	166,020	26,673	192,693
Profit/(loss) for the year		-	-	-	-	-	(1,377)	-	-	(1,377)	4,435	3,058
Adjustment for mobilization costs							(468)			(468)	(357)	(825)
Other comprehensive income		-	-	-	-	-	(775)	1,044	101	370	-	370
Total comprehensive income for the year		-	-	-	-	-	(2,620)	1,044	101	(1,475)	4,078	2,603
Transfer to legal reserve	18	-	-	-	7	-	(7)	-	-	-	-	-
Transfer from legal reserve on disposal of subsidiary		-	-	-	(248)	-	248	-	-	-	-	-
Transfer to subordinated loan reserve	18	-	-	-	-	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 - restated		28,209	19,496	(1,704)	10,530	11,429	97,582	(815)	222	164,949	28,740	193,689

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

The notes on pages 9 to 61 form an integral part of these consolidated financial statements.

Report of the Auditors - pages 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Attributable to shareholders' of the parent company										
		Share capital	Share premium	Treasury shares	Legal reserve	Subordinated loan reserve	Retained earnings	Hedging reserves	Exchange reserves	Total	Non-controlling interests	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO '000	RO'000	RO'000	RO'000	RO'000
At 1 January 2013 - (restated)		28,209	19,496	(1,704)	10,530	11,429	97,582	(815)	222	164,949	28,740	193,689
Profit for the year		-	-	-	-	-	11,298	-	-	11,298	7,482	18,780
Other comprehensive income		-	-	-	-	-	(243)	875	(150)	482	-	482
Total comprehensive income for the year		-	-	-	-	-	11,055	875	(150)	11,780	7,482	19,262
Transfer relating to discontinued operations and disposal of subsidiary		-	-	-	(819)	-	521	-	-	(298)	298	-
Transfer to legal reserve	18	-	-	-	7	-	(7)	-	-	-	-	-
Transfer to subordinated loan reserve	18	-	-	-	-	5,714	(5,714)	-	-	-	-	-
Movement related to non-controlling interests		-	-	-	-	-	-	-	-	-	(64)	(64)
Total transactions with owners		-	-	-	(812)	5,714	(5,200)	-	-	(298)	234	(64)
At 31 December 2013		28,209	19,496	(1,704)	9,718	17,143	103,437	60	72	176,431	36,456	212,887

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

The notes on pages 9 to 61 form an integral part of these consolidated financial statements.

Report of the Auditors - pages 1 and 2.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RO'000	2012 RO'000
OPERATING ACTIVITIES			
Cash receipts from customers		**294,320**	304,030
Cash paid to suppliers and employees		**(211,316)**	(240,843)
Cash generated from operations		**83,004**	63,187
Net finance costs		**(24,364)**	(22,007)
Income tax paid		**(9,506)**	(7,368)
Net cash generated from operating activities		**49,134**	33,812
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(77,477)**	(44,453)
Acquisition of intangible assets		**-**	(94)
Proceeds from divestment of subsidiaries		**14,373**	7,794
Deposits placed		**(5,000)**	-
Deposits under lien		**(8,528)**	-
Dividends received		**26**	23
Net cash used in investing activities		**(76,606)**	(36,730)
FINANCING ACTIVITIES			
Net receipt/(payment) of borrowings		**64,649**	(26,876)
Net receipt from treasury mandatory convertible bonds		**11,365**	28,466
Net movement in related party balances		**(147)**	(184)
Funds paid to non-controlling interests		**(66)**	(2,271)
Net cash generated /(used in) financing activities		**75,801**	(865)
Increase/(decrease) in cash and cash equivalents		**48,329**	(3,783)
Cash and cash equivalents at the beginning of the year		**25,326**	29,109
Cash and cash equivalents at the end of the year	16	**73,655**	25,326
Cash and cash equivalents comprise the following:			
Cash and bank balances		**72,564**	27,853
Bank borrowings		**(139)**	(5,332)
Cash at bank classified as assets held-for-sale		**1,230**	2,981
Bank borrowings classified as liabilities held-for-sale		**-**	(176)
		73,655	25,326

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

The notes on pages 9 to 61 form an integral part of these consolidated financial statements.

Report of the Auditors - pages 1 and 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 investing in companies and properties, providing offshore support vessel fleet, ship building, purchase and sales of vessels, afloat ship repair, fabrication and maintenance services for the oil and gas and energy services sectors, providing turnkey contract services, providing facilities management, facilities establishment, contract catering, operations and maintenance services, providing training services, media publishing, advertising and distribution, 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) of Sultanate of Oman. The standalone balance sheet, statements of comprehensive income, changes in equity and cash flows of the parent company are given in the attached schedule to the consolidated financial statements, in order to comply with the disclosure requirements of CMA. For a further understanding of the standalone parent company's financial position and the results of its operations, the schedule should be read in conjunction with the full set of separate financial statements of the parent company on which an unqualified opinion dated 3 March 2014 was rendered by the auditors.

(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 environment 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 2013 and relevant for the Group's operations:

For the year ended 31 December 2013, 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 2013.

The adoption of these standards and interpretations has resulted in material changes to the Group's accounting policies and has affected the amounts reported for the current and prior years (refer note 2.1(h)).

(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 2014 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:

IFRS 9, (Amendments), 'Financial instruments', (effective on or after 1 January 2015);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(h) Restatement of prior year consolidated financial statements

The Group has adopted IAS -19 (revised 2011). 'Employee benefits' on 1 January 2012.The new accounting policies has had the following impact on the consolidated financial statements.

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The Group applied the above change in accounting policy retrospectively, in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Such retrospective application has had a material impact on the previously reported consolidated financial statement of the Group. Accordingly, the comparative amounts in the consolidated financial statements have been restated to comply with IAS-19 (revised).

Impact of the restatement

	2012 Restated RO'000	2012 As previously reported RO'000	At 1 January 2012 Restated RO'000	At 1 January 2012 As previously reported RO'000
Consolidated statement of financial position				
Deferred tax assets	**2,282**	**1,835**	**1,439**	**1,255**
Retained earnings	**97,582**	**98,831**	**105,272**	**105,746**
Staff terminal benefits	**7,134**	**5,539**	**7,315**	**6,657**
Consolidated statement of comprehensive income				
Cumulative changes in actuarial losses	**775**	**-**	**-**	**-**

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Losses applicable to the non-controlling interests 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Associates

Associates are all 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive, and its share of post-acquisition movements is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the income statement

Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

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 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and eviously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured 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 a 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 consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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.

(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.

2 Summary of significant accounting policies (continued)

2.3 Revenue recognition (continued)

(e) Dividend income

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

(f) Sale of vessels

Revenue from sale of vessels is recognised in the statement of comprehensive income when persuasive 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.

(g) 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.

(h) Others

Sale of operating assets and other miscellaneous income like insurance claims 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 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 statement of consolidated comprehensive income. Costs for other items of property, plant and equipment 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 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
Marine vessels and boats acquired	15 - 30
Plant, machinery and office equipment	1 - 15
Motor vehicles	3
Furniture and fixtures	3 - 5

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 which is generally between two to three years.

2.7 Vessel refurbishment costs

Owned assets

Costs 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 Summary of significant accounting policies (continued)

2.8 Intangible assets

Goodwill

Goodwill that arises on the 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 acquire, 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.

Other intangible assets

Other intangible assets acquired by the Group 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 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 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)

2.9 Financial assets

2.9.1 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 twelve 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 2.13 and 2.14).

(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.

2.9.2 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 recognised 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 recognised in the statement of comprehensive income under ‘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)

2.10 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.

2.11 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)

2.11 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.

2.12 Inventories

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.

2.12(a) Construction work-in-progress

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.

2.13 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 Group 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.

2.14 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 statement of cash flows.

2.14(a) Deposits under lien

Cash, which are under lien and held by commercial banks, are classified as deposits under lien.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2 Summary of significant accounting policies (continued)

2.15 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.

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.

2.16 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.

2.17 Non-current assets classified as 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.

2.18 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.

2.19 Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates

2.20 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2 Summary of significant accounting policies (continued)

2.21 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.

2.22 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 recognised 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.

2.23 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 Summary of significant accounting policies (continued)

2.23 Employee benefits (continued)

Regardless of the compliance of local laws in respective jurisdiction of subsidiaries, The Group operates defined benefit pension plan which define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income

2.24 Dividend distribution

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

2.25 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.

2.26 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.

2.27 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 Summary of significant accounting policies (continued)

2.28 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.

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.

2.29 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 Summary of significant accounting policies (continued)

2.30 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 date of the transactions. Foreign currency differences if any 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.

2.31 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.

2 Summary of significant accounting policies (continued)

2.31 Derivatives (continued)

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.

2.32 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.

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 (Level 2). 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 2)

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.

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

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.

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:

	2013	2012
	RO'000	RO'000
Other long term receivables	**3,872**	8,424
Investments (available-for-sale)	**322**	322
Financial assets at fair value through profit or loss	**16**	16
Trade receivables	**54,613**	63,182
Construction work-in-progress	**-**	3,497
Amount due from related parties	**354**	249
Deposits	**5,000**	-
Deposits under lien	**8,528**	-
Cash and bank balances	**72,564**	27,853
Financial assets of disposal group classified as held-for-sale	**10,193**	12,663
	155,462	116,206

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

(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, utilised for period of ninety days to bridge the gap between collections of receivables and settlement of payables during the month.

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 2013	**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**
Borrowings	**387,738**	**514,882**	**60,847**	**370,656**	**83,379**
Mandatory convertible bonds	**38,948**	**4,416**	**1,472**	**2,944**	**-**
Bank overdrafts	**139**	**139**	**139**	**-**	**-**
Trade and other payables	**52,243**	**52,243**	**51,964**	**279**	**-**
	479,068	**571,680**	**114,422**	**373,879**	**83,379**

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
Borrowings	326,434	388,984	84,731	285,506	18,747
Mandatory convertible bonds	28,466	5,887	1,472	4,415	-
Bank overdrafts	5,332	5,332	5,332	-	-
Trade and other payables	50,872	50,872	50,026	846	-
	411,104	451,075	141,561	290,767	18,747

(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 swap 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.

3 Financial risk management (continued)

3.1 Financial risks factors (continued)

(c) Market risk (continued)

(i) Foreign exchange risk

Trade accounts payable include amount due in foreign currencies, mainly US Dollars, Euros, Pounds Sterling, UAE Dirham, Singapore Dollars and Norwegian Kroner, Japanese Yen (JPY) and Azerbaijan Manat (MNT).

As Rial Omani (RO) is pegged with US Dollars, the risk of transaction made in US Dollar is considered minimal. With respect to other currencies mentioned above, had the Rial Omani (RO) weakened/strengthened by 5%, with all other variables held constant, the impact on the Group's consolidated financial statements is considered to be insignificant.

(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 2013.

	Increase/decrease in basis points	Effect on profit for the year RO'000
2013		
Borrowings converted to Rial Omani	+15	**187**
Borrowings converted to Rial Omani	-10	**(125)**
2012		
Borrowings converted to Rial Omani	+15	240
Borrowings converted to Rial Omani	-10	(160)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

3 Financial risk management (continued)

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 2013				
Investments	**16**	**-**	**322**	**338**
Derivative financial instruments	**-**	**1,005**	**-**	**1,005**
31 December 2012				
Investments	16	-	322	338
Derivative financial instruments	-	(2,301)	-	(2,301)

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:

(a) Leases

Where the group acts as a lessor, management exercises judgment 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.

4 Critical accounting estimates and judgements (contineud)

4.1 Judgements (continued)

(a) Leases (contineud)

Where the Group acts as a lessor, management has 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.

(b) Guarantees

During 2013, the Group had provided certain performance bank guarantees to its customer. Subsequent to statement of financial position date, the customer terminated the contract and the Group is in negotiations to receive back the performance guarantee given to the customer. Based on on-going negotiations, the management is confident that the guarantees provided would not result in significant liability to the Group.

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.

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. These calculations use current year actual free cash flow determined from EBITDA, which is extrapolated using the estimated growth rate of 3%. The growth rate does not exceed the long-term average growth rate of the business in which the CGU operates. The net carrying amount of goodwill at 31 December 2013 was RO 32.355 million (2012 - RO 33.278 million).

4 Critical accounting estimates and judgements (continued)

4.2 Estimates and assumptions (continued)

(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. The carrying value of the vessels as at 31 December 2013 was RO 395.499 million (2012 - RO 363.790 million).

(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 60.824 million (2012 - RO 67.131 million) and the provision for doubtful debts was RO 6.211 million (2012 - RO 3.949 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 inventories

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.

At the statement of financial position date, gross inventories were RO 4.084 million (2012 - RO 7.014 million) with provisions for old and obsolete inventories of RO 0.04 million (2012 - RO 1.281 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.

(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 1.005 million (2012 - RO 2.301 million).

4 Critical accounting estimates and judgements (continued)

4.2 Estimates and assumptions (continued)

(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.

(i) 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.

(f) Recoverable values of disposal group classified as held-for-sale

The assets of disposal groups classified as held-for-sale are carried at lower of carrying amount and realisable values. The Group estimates the recoverable value of these assets, based on a number of factors including market value of the assets, values offered by potential acquirers of the disposal groups.

5 Expenses by nature

Profit for the year from continuing operations is after charging:	2013	2012
	RO'000	RO'000
Staff costs	**81,846**	79,085
Operating lease rentals	**13,417**	4,662
Provision for doubtful debts	**5,460**	750
Depreciation	**27,086**	25,561

Finance costs

	2013	2012
	RO'000	RO'000
Interest expense	**22,044**	20,406
Interest on mandatory convertible bonds	**1,490**	443
Reversal of provision for derivative losses	**(419)**	(102)
	23,115	20,747

6 Loss on investments - net

	2013	2012
	RO'000	RO'000
Write-off of investment in associates	**(1,587)**	-
Gain on sale of investments	**730**	-
Loss on disposal of a subsidiary	**-**	(345)
	(857)	(345)

7 Income tax

(a) 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.

	2013	2012
	RO'000	RO'000
Tax charge/(credit) for the year comprises of:		(Restated)
Current tax in respect of current year	7,676	8,021
Deferred tax in respect of current year	1,008	(843)
	8,684	7,178
Deferred tax asset		
At 1 January	2,282	1,439
(Charged)/credited to statement of comprehensive income	(1,008)	843
At 31 December	1,274	2,282

(b) The deferred tax balance at 31 December 2013 comprises capital allowances in excess of depreciation charge of RO 0.556 million (2012 - RO 1.482 million), short term timing differences of RO 0.147 million (2012 - RO 0.203 million) and temporary differences relating to pension obligations of RO 0.571 million (2012 - RO 597 million).

(c) Deferred tax assets are recognised for temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

(d) 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.

(e) The parent company's assessments for the tax years 2010 to 2013 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.

(f) The parent company has filed an objection to the Secretariat of General for Taxation, appeals to the Tax Committee and the Court against certain decisions of the Department on disallowances made by the Department in the previous assessments. The main issues under the appeals are taxation of overseas income, taxation of overseas dividend, and disallowances 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.

(g) The parent company has established provisions at 31 December 2013 against the tax liabilities, which may arise, relating to disallowances of interest and some specific expenses.

8 Property, plant and equipment

	Freehold land and buildings RO'000	Marine vessels 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 2013	87,019	455,928	20,908	2,298	2,487	13,989	**582,629**
Transfer from current assets	-	1,452	-	-	-	-	**1,452**
Additions	730	53,130	1,169	212	357	23,632	**79,230**
Transfers	-	290	-	-	-	(290)	**-**
Assets of disposal group classified as held-for-sale	(4,070)	(1,272)	(6,390)	(802)	(772)	(7)	**(13,313)**
Disposals	(1,001)	(2,560)	(1,541)	(648)	(832)	-	**(6,582)**
At 31 December 2013	82,678	506,968	14,146	1,060	1,240	37,324	**643,416**
Depreciation							
At 1 January 2013	17,431	92,138	13,084	1,754	1,836	-	**126,243**
Charge for the year	3,582	22,088	2,068	276	275	-	**28,289**
Assets of disposal group classified as held-for-sale	(2,169)	(1,036)	(4,920)	(752)	(705)		**(9,582)**
Disposals	(622)	(1,485)	(1,099)	(490)	(664)	-	**(4,360)**
31 December 2013	18,222	111,705	9,133	788	742	-	**140,590**
Net book amount							
31 December 2013	**64,456**	**395,263**	**5,013**	**272**	**498**	**37,324**	**502,826**

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 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 book amount								
31 December 2012	69,588	363,790	-	7,824	544	651	13,989	456,386

8 Property, plant and equipment (continued)

(a) The company's property, plant and equipment excluding certain immaterial assets are pledged against bank loans and bank borrowings. Marine vessels with a net book amount of RO 227.621 million (2012- RO 346.299 million) are pledged against bank loans obtained.

(b) Capital work-in-progress includes costs incurred for construction of marine vessels and buildings.

(c) 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.

(d) During the year, the Group capitalised borrowing costs amounting to RO 853,000 (2012 - RO 169,754). Borrowing costs were capitalised at the interest rate of non-amortised Senior Notes issued in 2013 which is 9.2%.

(e) The depreciation charge has been allocated in the statement of comprehensive income as follows:

	2013	2012
	RO'000	RO'000
Operating expenses	**26,450**	24,836
Administrative expenses	**636**	725
	27,086	25,561
Depreciation related to discontinued operations	**1,203**	3,628
	28,289	29,189

9 Intangible assets

Intangible assets as at 31 December consisted of the following:

	2013	2012
	RO'000	RO'000
Goodwill	**31,748**	33,278
Computer software	**227**	258
At 31 December	**31,975**	33,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

9 Intangible assets (continued)

Goodwill

	2013	2012
	RO'000	RO'000
Initial goodwill	**39,817**	44,656
Exchange differences	**(94)**	114
Disposal	**(828)**	(4,696)
Transfer to assets classified as held-for-sale (note 17)	**(608)**	(257)
At 31 December	**38,287**	39,817
Impairment		
At 1 January	**6,539**	5,968
Impairment	**-**	571
At 31 December	**6,539**	6,539
Net carrying amount		
31 December	**31,748**	33,278

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

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

	2013	2012
	RO'000	RO'000
Topaz Energy and Marine Limited	**28,821**	28,821
Tawoos Industrial Services Company LLC	**1,900**	1,900
Norsk Offshore Catering AS	**1,027**	1,121
Others	**-**	1,436
	31,748	33,278

(c) The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation, using current year actual free cash flows determined from EBITDA. 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.

(d) Key assumptions used in the calculation of recoverable amounts are discount rates, growth rate, and terminal value calculations. These assumptions are as follows

Discount rate

The discount rate used for value in use calculation in 2013 is 9.1% (2012 - 8.1%).

Terminal value calculations

The discounted cash flow calculations for all the cash generating units are based on the current year actual free cash flows determined from EBITDA. These cash flows then form the basis of perpetuity cash flows used in calculating the terminal value.

Growth rate

Growth rate used for value in use calculation in 2013 is 3% (2012 - 3%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

9 Intangible assets (continued)

Goodwill (continued)

(e) 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 goodwill to materially exceed its recoverable amount.

10 Principal subsidiaries and associates

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

Company	Country of incorporation	Percentage shareholding 2013	2012	Principal activities
Subsidiary companies				
Topaz Energy and Marine Limited (TOPAZ)	United Arab Emirates	**100%**	100%	Holding company
Tawoos Industrial Services Company LLC (TISCO)	Sultanate of Oman	**100%**	100%	Contract catering, facilities management and establishment, operations and maintenance services
United Media Services Company LLC (UMS)	Sultanate of Oman	**100%**	100%	Media advertising, distribution and publishing activities
National Training Institute LLC (NTI) (refer note 17(a))	Sultanate of Oman	**-**	100%	Vocational, technical, health, safety and environment training services
National Hospitality Institute SAOG (NHI)	Sultanate of Oman	46%	46%	Hospitality and tourism training services
Renaissance Energy Limited (REL)	United Arab Emirates	**100%**	100%	Holding company
Associate companies				
Dubai Wire FZE (DW) [refer note 17 (g)]	United Arab Emirates	**37.65%**	37.65%	Manufacturing of collated nails and other fasteners.
Global Fasteners Limited (GFL) [refer note 17 (g)]	Isle of Man	**43.50%**	43.50%	Manufacturing of drywall screws, nails and fasteners.
Skills Development Training Institute LLC - SDTI	Kingdon of Saudi Arabia	**-**	49%	Dormant company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

10 Principal subsidiaries and associates (continued)

(b) **Subsidiaries of Topaz Energy and Marine Limited**

Company	Country of incorporation	Percentage shareholding 2013	2012	Principal activities
Nico Middle East Limited	Bermuda	**100%**	100%	Charter of marine vessels, ship fabrication, repair, oil and gas construction
Topaz Holdings Limited	United Arab Emirates	**100%**	100%	Holding company
Topaz Engineering Limited	Bermuda	**100%**	100%	Holding company
Topaz Energy and Marine Plc	United Kingdom	**100%**	100%	Dormant company

(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 2012, 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 2013 Topaz Energy and Marine Plc was dormant.

(c) Subsidiaries of TISCO

Company	Country of incorporation	Percentage shareholding 2013	2012	Principal activities
Rusail Catering and Cleaning Services LLC	Sultanate of Oman	**100%**	100%	Catering and cleaning services
Supraco Limited (Supraco)	Cyprus	**100%**	100%	Catering services
Renaissance Contract Services International LLC (RCSI)	Sultanate of Oman	**100%**	100%	Holding company
Al Wasita Catering Services LLC (Al Wasita)	Sultanate of Oman	**100%**	100%	Dormant company

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

(ii) RCSI through its subsidiaries in Angola provides catering and allied services in the respective countries. RCSI subsidiaries in UAE and Qatar are dormant as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

10 Principal subsidiaries and associates (continued)

(d) Subsidiaries of UMS

Company	Country of incorporation	Percentage shareholding 2013	2012	Principal activities
United Press and Publishing Company	Sultanate of Oman	**100%**	100%	Media advertising, distribution and publishing
Oryx Advertising Company WLL	Qatar	**49%**	49%	Sale of magazines and related promotional events
UMS International FZ LLC	United Arab Emirates	**100%**	100%	Publishing and sale of magazines

(e) During the year the Group disposed of its subsidiary National Training Institute LLC (NTI) and Topaz Oil and Gas Division (TOGD). Total consideration of RO 7.768 million and RO 15.667 million was agreed as the purchase price and the capital gains arising were RO 4.126 million and RO 3.654 million respectively. These gains are presented under discontinued operations (note17).

(f) Summarised financial information of subsidiaries in Topaz with material non-controlling interest.

(i) Summarised statement of financial position

	2013 RO'000	2012 RO'000
Non-current assets	**176,386**	109,594
Current assets	**4,834**	4,292
Non-current liabilities	**(50,820)**	(42,500)
Current liabilities	**(59,080)**	(14,887)
Net assets	**71,320**	56,499

(ii) Summarised statement of comprehensive income

	2013 RO'000	2012 RO'000
Revenue	**28,048**	17,277
Profit before income tax	**14,932**	8,957
Income tax	**(112)**	-
Profit for the year	**14,820**	8,957
Other comprehensive income	**-**	-
Total comprehensive income for the year	**14,820**	8,957
Dividends paid to non-controlling interests	**-**	1,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

10 Principal subsidiaries and associates (continued)

(f) Summarised financial information of subsidiaries in Topaz with material non-controlling interest (continued)

(iii) Summarised statement of cash flows

	2013
	RO’000
Net cash generated from operating activities	**66,256**
Net cash used in investing activities	**(71,960)**
Net cash generated from financing activities	**6,455**
Net increase in cash and cash equivalents	**751**
Cash and cash at beginning of the year	**3,967**
Cash and cash equivalent at the end of the year	**4,718**

The information above is the amount before inter-company eliminations.

11 Investments

	2013	2012
	RO’000	RO’000
Available-for-sale investments	**322**	322

Available-for-sale investments

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

	Ownership interest (%)	
	2013	2012
Fund for Development of Youth Projects SAOC	**2.33**	2.33
Industrial Management Technology & Contracting LLC	**1.25**	1.25

(b) There are no movements in the carrying value of the Group’s investments in available for sale.

(c) The available for sale investments are denominated in Rial Oman.

(d) None of these financial assets are impaired.

(e) Available-for-sale investment carried at cost and approximates its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

12 Inventories

	2013	2012
	RO'000	RO'000
Stock and consumables - net of provision	4,044	5,733
Vessel	-	1,147
	4,044	6,880

(a) During the year Group has made a provision for slow-moving and obsolete stock amounting to RO 40,000 (2012 - RO 425,000).The amount of provision has been included in 'operating expenses' in the consolidated statement of comprehensive income.

13 Financial instruments

13(a) Financial instruments by category

	2013			
	Loans and receivables	Available-for-sale	Assets at fair value through Profit and loss	Total
	RO'000	RO'000	RO'000	RO'000
Assets				
Investments	-	322	-	322
Other long term receivables	3,872	-	-	3,872
Financial assets at fair value through profit or loss	-	-	16	16
Trade and other receivables excluding prepayments	58,453	-	-	58,453
Deposits	5,000	-	-	5,000
Deposits under lien	8,528	-	-	8,528
Cash and bank balances	72,564	-	-	72,564
	148,417	322	16	148,755

	2012			
	Loans and receivables	Available-for-sale	Assets at fair value through Profit and loss	Total
	RO'000	RO'000	RO'000	RO'000
Assets				
Investments	-	322	-	322
Other long term receivables	8,424	-	-	8,424
Financial assets at fair value through profit or loss	-	-	16	16
Trade and other receivables excluding prepayment	69,326	-	-	69,326
Cash and bank balances	27,583	-	-	27,583
	105,333	322	16	105,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

13(a) Financial instruments by category (continued)

	Other financial liabilities at amortised cost	
	2013	2012
Liabilities	**RO'000**	RO'000
Borrowings	**387,738**	326,434
Mandatory convertible bonds	**38,948**	28,466
Non-current payables and advances	**279**	846
Trade and other payables	**51,964**	50,026
Bank overdrafts	**139**	5,332
	479,068	411,104

13(b) Credit quality of financial assets

As per the credit policy of the company, customers are generally extended a credit period of up to three months in the normal course of business. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external ratings (if available) or to historical information about counterparty default rates:

Trade debtors	**2013**	2012
Counterparties without external credit rating	**RO'000**	RO'000
Not past due	**39,201**	43,766
Past due 0 to 3 months	**8,177**	13,024
Past due over 3 months	**7,235**	6,392
Total	**54,613**	63,182

Cash at bank

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the company only deals with banks with a minimum rating of P-2 as per moody's investors service. Management does not expect any losses to arise from non-performance by these counterparties

14 Trade and other receivables

	2013	2012
	RO'000	RO'000
Current		
Trade receivables - net	**54,613**	63,182
Other receivables and prepayments	**20,326**	15,096
Construction work-in-progress (note 14(j))	**-**	3,497
Advances to suppliers and contractors	**3,486**	2,398
Amounts due from related parties	**354**	249
	78,779	84,422
Non-current		
Other long-term receivables	**3,872**	8,424

(a) As at 31 December 2013, trade receivables of RO 6.211 million (2012 - RO 3.949 million) were impaired and provided for.

(b) The fair value of trade debtors and other receivables approximate their carrying amounts.

(c) The other classes within trade and other receivables do not contain impaired assets

14 Trade and other receivables (continued)

(d) Other long-term receivables represent, costs to mobilise certain vessels and will be amortised over the contract period. Further, it also includes the balance amount of sale proceeds from disposal of Al Wasita Emirates which is receivable over a period of five years from the date of sale. This receivable was recognised at fair value and carried at amortised costs.

(e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

(f) Movement in the allowance for impairment of receivables is as follows:

	2013 RO'000	2012 RO'000
At 1 January	**3,949**	4,131
Charge for the year	**5,518**	960
Amounts written-off	**(1,795)**	(381)
Disposal	**(39)**	-
Transfer of assets to disposal group held-for-sale	**(1,422)**	(761)
At 31 December	**6,211**	3,949

(g) 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
2013	**54,613**	**39,201**	**4,482**	**2,230**	**1,465**	**779**	**6,456**
2012	63,182	43,766	7,824	3,205	1,995	2,354	4,038

(h) 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.

(i) The carrying amounts of the group's trade receivables are denominated in the following currencies

	2013 RO'000	2012 RO'000
Rial Omani	**15,961**	26,606
US Dollar	**34,591**	32,650
Others	**4,061**	3,926
	54,613	63,182

14 Trade and other receivables (continued)

(j) Construction work-in-progress

	2013	2012
	RO'000	RO'000
Costs incurred on contracts in progress	4,590	27,900
Attributable profits less recognised losses	(455)	(528)
	4,135	27,372
Progress billings	(2,640)	(23,875)
	1,495	3,497
Less: transfer of assets to disposal group held-for-sale	(1,495)	-
	-	3,497

15 Deposits

(a) Deposits under lien include cash margin and other deposits which are kept in a commercial bank as security against guarantee given to a third party and against term loan obtained by the Group. These deposits are denominated in Rial Omani and US Dollar.

(b) Deposits more than three months carry interest of 2.75% p.a. and are denominated in Rial Omani.

16 Cash and cash equivalents

	2013	2012
	RO'000	RO'000
Cash and bank balances	86,092	27,853
Less: deposits more than three months (note 15(b))	(5,000)	-
Less: deposits under lien (note 15(a))	(8,528)	-
Cash and cash equivalents (excluding bank overdrafts)	72,564	27,853
Less: bank overdrafts (note 24)	(139)	(5,332)
Cash and cash equivalents	72,425	22,521

Included in cash and bank balances are short term deposits of RO 5,009,000 (2012 - RO 5,201,500) maintained with commercial banks. These deposits carries interest rate ranging from 0.2% to 3.5% p.a. (2012: 0.5% to 4%) and are denominated mainly in Rial Omani and US Dollar.

17 Non-current assets held-for-sale and discontinued operations

(a) In 2013, the Group disposed of National Training Institute LLC (NTI). The disposal comprised of the share sale of the company with effective disposal date of 31 December 2013 as per share purchase agreement (SPA) between the parent company (the seller) and Babcock Training Limited (the buyer). Total consideration was RO 7.768 million (refer note 10(e)).

(b) In 2012, the assets and liabilities related to Topaz Oil and Gas division (part of the Engineering segment) were 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 has been completed in 2013 and the group recorded a gain on sale of RO 3.654 million. As at 31 December 2012, the total assets and liabilities classified as held for sale were RO 26.794 million and RO 21.753 million respectively.

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

(c) The assets and liabilities related to UMS, NHI and Topaz Marine and Engineering Division (together referred to as the disposal group) have been presented as held-for-sale following the approval of the Group Board of Directors on 10 December 2013. The related disposal transaction are expected to be completed in 2014.

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

	2013
	RO'000
Property, plant and equipment	3,731
Goodwill	608
Inventories	2,119
Cash and bank balances	1,230
Other current assets	8,963
	16,651

Property, plant and equipment include buildings with net book value amounting to RO 1.892 million (2012 - RO 0.732 million) situated on leasehold land which is renewable every year. The management believes that the lease will continue to be available i.e. that the lease will be perpetually renewed to the Group for the foreseeable future.

(e) Liabilities of disposal group classifies as held-for-sale:

	2013
	RO'000
Trade and accrued expenses	9,948
Bank overdraft and short-term loans	3,346
Other non-current liabilities	2,381
	15,675

(f) The operations of NTI, Topaz Oil and Gas Division and disposal group are presented as discontinued operations in these consolidated financial statements. Details of the results and cash flows from these discontinued operations are as follows;

(i) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group is as follows:

	2013	2012
	RO'000	RO'000
Revenue	56,676	80,437
Expenses	(60,788)	(95,330)
Loss before tax from discontinued operations	(4,112)	(14,893)
Tax	(96)	(71)
Loss after tax from discontinued operations	(4,208)	(14,964)
Gain on disposal where completed	7,780	-
Tax	(367)	-
Gain on disposal after tax	7,413	-
Profit/(loss) for the year from discontinued operations	3,205	(14,964)

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

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

	2012	2012
	RO'000	RO'000
Operating cash flows	**(4,457)**	5,819
Investing cash flows	**(208)**	(2,198)
Financial cash flows	**5,087**	8,017
Total cash flows	**422**	11,638

The cash flows of discontinued operation above do not include cash flows of TOGD and NTI, which were disposed during the year. The net sale proceeds from disposal of TOGD were received and classified as cash flows from investing activities. Sale proceeds from disposal of NTI were not received as at 31 December 2013. Detail are given note 10(e).

(g) In 2012 the Group decided to sell its investments in associate companies i.e. Dubai Wire and Global Fastener Limited following the approval of Board on 12 August 2012. Accordingly, at 31 December 2012, the investments in these associates RO 1.587 million were classified as assets held for disposal under IFRS - 5. The investments in these associates were not divested in 2013. As at 31 December 2013, the recoverability of these investments was uncertain and accordingly, on a prudent basis, the carrying amount of these investments was fully written-off.

18 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 (2012 - 400,000,000 of RO 0.100 each). At 31 December 2013, the issued and fully paid up share capital comprised 282,094,452 ordinary shares of RO 0.100 each (2012 - 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:

	2013		2012	
	Number of shares '000	**%**	Number of shares '000	%
Tawoos LLC	42,538	15.08	42,538	15.08

(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 the 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 a 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 (2012 - 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 2013, the subsidiaries held 14,554,586 shares (2012 - 14,554,586) in the parent company. The market value of these shares at 31 December 2013 was approximately RO 10.654 million (2012 - RO 7.394 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

18 Capital and reserves (continued)

(d) Share premium

The Group utilises the share premium for issuing bonus shares and transfers to legal reserve. No such transfers took place during 2013.

(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. In order to meet the objectives of the loan agreement, the parent company has made a transfer of RO 5.714 millions (2012 - RO 5.715 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.

19 Borrowings

31 December 2013	**Total**	**1 year or less**	**2 -5 Years**	**More than 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Parent company - term loans	**89,704**	**6,490**	**26,114**	**57,100**
Parent company - subordinated loan	**40,000**	**10,000**	**30,000**	**-**
Borrowings of subsidiary companies	**258,034**	**19,668**	**228,723**	**9,643**
	387,738	**36,158**	**284,837**	**66,743**

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

19 Borrowings (continued)

(a) Term loans in parent company

	2013	2012
	RO'000	RO'000
Parent company - term loans	92,022	117,218
Less: Deferred finance cost	(2,318)	-
	89,704	117,218

The parent company obtained a syndicated long-term loan (the facility) from commercial banks dated 4 July 2013. The total facility limit is RO 130 million. The facility carries interest of 5% p.a and repayable in 52 quarterly installment as per facility agreement. The facility is secured by commercial mortgage or a legal mortgage over the parent company's certain properties, pledge of certain Topaz shares, account pledge with lead bank, assignment of receivables from the parent company's business, assignment of insurance and dividend income. The first drawdown of RO 90 million was made on 23 August 2013 from the facility.

The parent company also has a term loan facility from a financial institution through facility letter dated 19 July 2011. The total facility limit is RO 6 million. The term loan carry an interest at a rate of 5% p.a and repayable on demand. The parent has drawn down of RO 4 million which shall be repaid from syndicated long- term facility.

(b) Subordinated loan in parent company

In 2010, the parent company 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 2010 and the second drawdown of RO 20,000,000 was made on 28 February 2011. 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 5.714 million (2012 - RO 5.715 million) from retained earnings to a subordinated loan reserve.

(c) Borrowings of subsidiaries companies

Loans relating to Topaz

(i) On 4 November 2013 the Topaz Group issued RO 135 million aggregate principal amount of 8.625% senior notes (the Senior Notes) which will mature on 1 November 2018. The Senior Notes pay interest semi-annually in arrears on 1 May and 1 November of each year, commencing 1 May 2014. On and after 1 November 2016, the Group may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.3125% for the twelve month period beginning 1 November 2016, 102.15625% for the twelve month period beginning 1 November 2017 and 100% beginning 1 October 2018, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Nico Middle East Ltd., incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Global Exchange Market of the Irish Stock Exchange.

(ii) In conjunction with the Senior Notes offering, RO 4.6 million in debt issuance costs were incurred and have been accounted as per IFRS and will be amortised as part of finance costs over the life of the Senior Notes using the effective interest method. RO 46.2 million, out of the proceeds from the issuance of the Senior Notes, were used to prepay amounts outstanding under some of the senior secured bank borrowings and the balance proceeds have been used for acquisition of vessels. The Group recognised a loss on extinguishment of debt of RO 0.9 million in relation to the prepayment of these bank borrowings. The amount is included as part of finance costs in the consolidated statement of comprehensive income.

19 Term loans (continued)

(c) Term loans in subsidiaries (continued)

(iii) In 2012, the Topaz Group successfully refinanced its existing liabilities amounting to RO 49.8 million under various facilities. As a result of this restructuring, on 16 May 2012, the Group entered into an agreement with a syndicate of banks for financing a facility of RO 78 million. The existing liabilities under the target restructure loans were prepaid and replaced by a new term loan amounting to RO 78 million. The new term loan carries interest at the rate of three-months LIBOR plus 4% and is repayable in quarterly instalments till August 2017.

In December 2012, the Group has signed a bilateral term sheet for facility of RO 48 million. The Group has used this facility to refinance certain term loan facilities and to finance a vessel under construction. Through the additional proceeds from the aforementioned restructuring, the Group also prepaid liabilities due under these term loans.

(iv) The term loans of Topaz amounting to RO 261.380 million (2012 - RO 169.216 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.

(v) The borrowing arrangements include undertakings to comply with various covenants like senior interest cover, current ratio, EBITDA to finance cost, debt to EBITDA ratio, tangible debt to net worth ratio and equity ratio including an undertaking to maintain a minimum tangible net worth including an undertaking to maintain a minimum net worth of Topaz which, at no time, shall be less than RO 135 million untill 31 December 2013 and thereafter it shall be the greater of RO 173 million or 35% of total assets. Term loans carry interest rates ranging from 3% to 8.625% per annum (2012- 2% to 7.5% per annum).

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

	2013	2012
	RO'000	RO'000
Non-current liabilities	**351,580**	268,745
Current liabilities	**36,158**	57,689
	387,738	326,434

(e) The carrying amounts of terms loans is approximate to its fair value.

(f) The carrying amounts of the group's borrowings are denominated in the following currencies:

	2013	2012
	RO'000	RO'000
Rial Omani	**129,704**	152,909
US Dollar	**251,389**	166,050
AED	**6,645**	7,475
	387,738	326,434

20 Mandatory convertible bonds

In 2012 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 30,673,468 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 convert 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’.

In conjunction with MCB, RO 0.372 million in bonds issuance costs were incurred and have been accounted as per IFRS and will be amortised into finance costs over the life of the MCB using the effective interest method.

For all banking covenants calculations, MCBs are considered as part of equity.

21 Non-current payables and advances

	2013 RO’000	2012 RO’000
Income tax payable	**3,833**	5,184
Other payables and advances	**279**	846
	4,112	6,030

22 Staff terminal benefits

The table below outlines where the Group’s post-employment amounts and activity are included in the consolidated financial statements;

	2013 RO’000	2012 (Restated note 2.1(h)) RO’000
Defined benefit pension plan - Funded (a)	**1,774**	1,596
Unfunded benefits (b)	**3,267**	5,538
	5,041	7,134

(a) The amount recognised in the statement of financial position is determined as follows:

	2013 RO’000	2012 (Restated note 2.1(h)) RO’000
Present value of defined benefit obligation	**7,324**	6,730
Fair value of plan assets	**(5,550)**	(5,134)
Liability in the statement of financial position	**1,774**	1,596

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22 Staff terminal benefits (continued)

(i) The movement of defined benefit obligation over the year is as follows;

	2013 **RO'000**	2012 (Restated note 2.1(h)) RO'000
At 1 January	**6,730**	5,073
Benefits earned during the year	**853**	682
Interest costs on prior year's benefit obligation	**137**	163
Change in demographic and financial assumptions	**-**	489
Pension paid during the year	**(89)**	(109)
Exchange differences	**(258)**	432
Employer's social security tax on contributions	**(100)**	-
Curtailment	**(185)**	-
Re - measurement during the year (actuarial gain)	**236**	-
At 31 December	**7,324**	6,730

(ii) The movement of fair value of plan assets over the year is as follows;

	2013 **RO'000**	2012 (Restated note 2.1(h)) RO'000
At 1 January	**5,134**	4,186
Return on plan assets	**96**	228
Company contributions	**806**	982
Pension paid during the year	**(74)**	(87)
Administration costs	**-**	(23)
Changes in estimates and assumptions	**-**	(500)
Exchange differences	**(195)**	348
Employer social security tax on contribution	**(100)**	-
Curtailment	**(130)**	-
Re –measurement during the year (actuarial gain)	**13**	-
At 31 December	**5,550**	5,134

(iii) The pension scheme of one of Group's overseas subsidiary covers a total of 365 employees (2012- 349 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 partially 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

22 Staff terminal benefits (continued)

(b) The amount of unfunded benefits recognised in the statement of financial position are determined as follows;

	2013 RO'000	2012 (Restated note 2.1(h)) RO'000
At 1 January	**5,538**	6,428
Accrued during the year	**2,185**	2,387
Reclassification from accrued expenses	**-**	76
Payments during the year	**(1,729)**	(1,637)
Disposal	**(348)**	-
Transfer to liabilities of disposal group held-for-sale	**(2,379)**	(1,716)
At 31 December	**3,267**	5,538

(i) Significant amount of terminal benefits as at 31 December 2013 comprised of end of service obligations of Topaz (2013 - RO 1,181,000; 2012 - RO 2,779,000). Principal actuarial assumptions for Topaz at the reporting date are:

- Normal retirement age : 60-65 years (2012 - 60-65 years).
- Mortality, withdrawal and retirement: 5% (2012 - 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: 4.5% (2012 - 5.25%) p.a.
- Salary increases: 3% to 5% (2012 - 3% to 5%) p.a.

23 Trade and other payables

	2013 RO'000	2012 RO'000
Trade payables	**22,476**	19,224
Accrued expenses and other payables	**29,268**	30,540
Income tax payable	**7,735**	7,400
Amounts due to related parties	**220**	262
	59,699	57,426

24 Bank overdrafts

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 (2012 - 3% to 8% per annum).

25 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:

	2013	2012 (Restated note 2.1(h))
Net assets	**RO'000**	RO'000
Net assets	**212,887**	193,689
Non-controlling interest	**(36,456)**	(28,740)
Net assets attributable to the shareholders of the Parent Company	**176,431**	164,949
Number of shares		
Number of shares at 1 January ('000)	**282,094**	282,094
Treasury shares (refer note 18) ('000)	**(14,555)**	(14,555)
Number of shares at 31 December ('000)	**267,539**	267,539
Net assets per share (RO)	**0.659**	0.616

26 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:

	2013	2012
Net profit for the year attributable to the shareholders of the parent company (RO'000) from continuing operations	**8,093**	13,587
Net profit/(loss) profit for the year attributable to the shareholders of the parent company (RO'000) from discontinued operations	**3,205**	(14,964)
Total profit/(loss) for the year attributable to the shareholders	**11,298**	(1,377)
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
Earnings per share expressed in Rial Omani		
Basic earnings per share from continuing operations	**0.030**	0.051
Basic earnings /(loss) per share from discontinued operations	**0.012**	(0.056)
Net earnings/(loss) per share for the year	**0.042**	(0.005)

26 Earnings per share (continued)

(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.

	2013
Net profit for the year attributable to the shareholders of the parent company (RO'000) from continuing operations (after adding back post tax interest on mandatory convertible bond)	9,404
Net profit/(loss) profit for the year attributable to the shareholders of the Parent Company (RO'000) from discontinued operations	3,205
	12,609
Weighted average number of shares	
Number of ordinary shares at 1 January ('000)	**282,094**
Less: weighted average number of ordinary treasury shares ('000)	**(14,555)**
Add: weighted average number of potential ordinary shares ('000)	**99,356**
Less: weighted average number of potential ordinary treasury shares ('000)	**(13,183)**
Weighted average number of shares ('000)	**353,712**
Earnings per share expressed in Rial Omani	
Dilutive earnings per share from continuing operations	**0.027**
Dilutive earnings/(loss) per share from discontinued operations	**0.009**
Net dilutive/(anti-dilutive) earning/(loss) per share for the year	**0.036**

Potential ordinary shares are the ordinary shares to be issued in future against Mandatory Convertible Bonds issued by the parent company. These potential ordinary shares are notional and are calculated based on the assumption that all the MCBs were converted to ordinary shares based on the market price of the parent company's shares as at 31 December 2013, which is as per the requirement of IAS-33 'Earnings per share'. However, the actual shares to be issued against MCBs, would be determined at future market price of the parent company's share as per terms of the bonds issue (refer note 20).

For the year ended 31 December 2012, the impact of potential ordinary shares is antidilutive. Accordingly, dilutive earnings are assumed to be equal to basic earnings for that year

27 Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which the company or 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 2013 (continued)

27 Related parties (continued)

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

	2013 RO'000	2012 RO'000
Income		
Service rendered and sales to other related parties	**39**	50
Net advance to other related parties	**-**	1,965
Expenses		
Services received and purchases from other related parties	**274**	435
Directors' remuneration and sitting fees		
Sitting fees	**200**	50

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:

	2013 RO'000	2012 RO'000
Service rendered and sales	**21**	25

(b) Compensation of key management personnel

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

	2013 RO'000	2012 RO'000
Short-term benefits	**1,753**	1,057
Employees' end of service benefits	**81**	175
	1,834	1,232

Topaz Energy and Marine Limited has paid RO 270,900 (2012 - RO 270,900) as remuneration to its 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 23 respectively.

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2013, the Group has not recorded any impairment of amounts due from related parties (2012 - Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

28 Commitments and contingent liabilities

	2013 RO'000	2012 RO'000
Commitments		
Letters of credit	**3,957**	430
Capital expenditure commitments	**51,792**	90
	55,749	520
Contingent liabilities		
Corporate guarantee	**6,940**	5,250
Letters of guarantee	**24,890**	22,039
	31,830	27,289

The contingent liabilities represent guarantees 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.

The above letter of credit and letter of guarantees as at 31December 2013 include RO 3.568 million and RO 11.87 million related to discontinued operations respectively.

29 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 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:

	2013 RO'000	2012 RO'000
Within one year	**102,182**	100,791
Between one and five years	**112,681**	143,422
More than five years	**24,433**	44,147
	239,296	288,360

b) Operating lease payables

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

	2013 RO'000	2012 RO'000
Within one year	**18,492**	14,306
Between one and five years	**29,440**	39,782
More than five years	**4,155**	10,328
	52,087	64,416

During the year, an amount of RO 14.872 million (2012 - RO 5.925 million) was recognised as an expense in the statement of comprehensive income in respect of bareboat charter of marine vessels obtained on operating lease.

30 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 2013						
Interest rate swaps	-	**1,005**	**56,854**	**11,414**	**45,440**	-
31 December 2012						
Interest rate swaps	-	2,301	54,869	38,907	15,962	-

Certain 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 14,754,000 (2012 - nil) at a fixed margin of 2.5% (2012 - 2.5%) per annum excluding margin;
- RO 1,803,000 (2012 - RO 2,283,000) at the rate of 3.25% (2012 - 3.25%) per annum excluding margin ; and
- RO 14,143,000 (2012 - RO 17,903,000) at the rate of 1.97% (2012 - 1.97%) per annum excluding margin.
- RO 26,154,000 (2012 - RO 17,884,000) at the rate of 0.83% (2012 - 1.97%) per annum excluding margin.

At 31 December 2013, the US LIBOR was approximately 0.35% (31 December 2012- 0.51%) per annum. Accordingly, the gap between US LIBOR and fixed rate under IRS was approximately 2.15%, 2.9%, 2.74%, 1.62% and 0.48% (2012 approximately - 3.44%, 1.49%, 2.74% and 1.46%) per annum.

Based on the interest rates swaps, over the life of the IRS, the indicative losses were assessed at approximately RO 1.005 million (2012 - RO 2.301 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 1.005 million (2012 - RO 2.301 million) has been recorded under the current and non-current liabilities and the impact for the year amounting to RO 418,800 (2012 - RO 102,000) has been recorded under the finance costs and RO 0.875 million (2012 - RO 1.044 million) has been recognised in the hedging reserve.

31 Operating segments

The Group has two 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:

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 discontinuing operations such as the engineering services, provision of training services, media publishing, advertising and distribution. This also includes investments and related activities and unallocated corporate expenses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after 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. Sales between segments are carried out at arm’s length. The revenue from external parties reported to the Group’s CEO is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The amounts provided to Group’s CEO with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

31 Operating segments (continued)

Information about reportable segments:

	Marine services		Contract services		Others		Adjustments		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012 (restated)	**2013**	2012 (restated)
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Total revenues	**145,515**	119,260	**94,477**	102,715	**144**	193	**(577)**	(879)	**239,559**	221,289
Less: Inter-segment revenue	**-**	-	**(209)**	-	**(87)**	(166)	**-**	-	**(296)**	(166)
External revenue	**145,515**	119,260	**94,268**	102,715	**57**	27	**(577)**	(879)	**239,263**	221,123
Net finance (costs)/income	**(19,922)**	(16,865)	**(3,019)**	(3,330)	**(173)**	(402)	**-**	(150)	**(23,114)**	(20,747))
Depreciation and amortisation	**(22,750)**	(20,748)	**(4,258)**	(4,707)	**(108)**	(138)	**-**	12	**(27,116)**	(25,581)
Reportable segment profit after income tax (continuing operations)	**14,251**	10,383	**5,963**	10,785	**(4,639)**	(2,981)	**-**	(165)	**15,575**	18,022
Reportable segment profi/(loss) after income tax (discontinued operations)	**-**	-	**-**	-	**3,205**	(14,964)	**-**	-	**3,205**	(14,964)
Reportable segment assets	**591,719**	463,343	**122,837**	140,111	**51,648**	76,975	**(57,004)**	(60,309)	**709,200**	620,121
Assets of disposal group classified as held-for-sale	**-**	-	**-**	-	**16,651**	28,381	**-**	-	**16,651**	28,381
Capital expenditure	**77,985**	37,790	**1,773**	13,092	**924**	1,060	**-**	-	**80,682**	51,942
Reportable segment liabilities	**414,921**	330,971	**88,238**	94,492	**55,674**	95,671	**(61,544)**	(88,074)	**497,289**	433,060
Liabilities of disposal group classified as held-for-sale	**-**	-	**-**	-	**15,675**	21,753	**-**	-	**15,675**	21,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

31 Operating segments (continued)

Geographical segments:

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

	2013	2012
	RO'000	RO'000
Oman	65,978	68,890
Middle East and North Africa (excluding Oman)	37,306	42,394
Caspian	86,085	65,710
Others	49,894	44,129
	239,263	221,123

Breakdown of the revenue from all services is as follows:

	2013	2012
	RO'000	RO'000
From services	236,303	220,623
From sale of vessels	2,960	500
	239,263	221,123

The total of non-current assets other than financial instruments and deferred tax assets is as follows:

	2013	2012
	RO'000	RO'000
Oman	74,366	79,311
Others	460,435	410,611
	534,801	489,922

Other include mainly from MENA and Caspian region.

32 Proposed dividend

The Board of Directors at their meeting dated 26 February 2014 have proposed a dividend of RO 2,820,945 for the year ended 31 December 2013 (2012 – nil).

33 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.

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SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME (PARENT COMPANY)
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RO'000	2012 RO'000
Revenue	**29,937**	33,157
Operating expenses	**(19,609)**	(21,141)
Gross profit	**10,328**	12,016
Other income	**3,256**	3,397
Administrative expenses	**(6,852)**	(3,605)
Profit from operations	**6,732**	11,808
Finance costs - net	**(7,428)**	(7,075)
Net Investment gain	**3,694**	-
Profit before tax	**2,998**	4,733
Taxation	**(1,130)**	(1,280)
Profit and comprehensive income for the year	**1,868**	3,453
Basic and diluted earnings per share (RO)	**0.007**	0.012

SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)
AS AT 31 DECEMBER 2013

	2013	2012
	RO'000	RO'000
ASSETS		
Non-current assets		
Property, plant and equipment	70,032	72,415
Investments	140,413	144,575
Subordinated loan to a subsidiary	30,000	40,000
	240,445	256,990
Current assets		
Inventories	582	724
Trade and other receivables	55,194	78,884
Subordinated loan to a subsidiary	10,000	-
Cash and bank balances	18,675	10,571
	84,451	90,179
Non-current assets classified as held-for-sale	1,687	867
	86,138	91,046
Total assets	326,583	348,036
EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	28,209	28,209
Share premium	19,496	19,496
Legal reserve	9,404	9,404
Subordinated loan reserve	17,143	11,429
Retained earnings	40,999	44,845
Total equity	115,251	113,383
LIABILITIES		
Non-current liabilities		
Borrowings	83,214	93,151
Mandatory convertible bonds	42,077	41,987
Subordinated loan	30,000	40,000
Non-current payables and advances	3,833	5,184
Amount due to subsidiaries	22,607	20,042
Staff terminal benefits	800	723
	182,531	201,087
Current liabilities		
Borrowings	6,490	24,067
Subordinated loan	10,000	-
Trade and other payables	11,556	9,407
Bank overdrafts	-	92
	28,046	33,566
Liabilities of disposal group classified as held-for-sale	755	-
	28,801	33,566
Total Liabilities	211,332	234,653
Total equity and liabilities	326,583	348,036
Net assets per share (RO)	0.409	0.402

SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Subordinated loan reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2012	28,209	19,496	9,404	5,714	47,107	109,930
Comprehensive income :						
Profit for the year	-	-	-	-	3,453	3,453
Transactions with owners:						
Transfer to subordinated loan reserve	-	-	-	5,715	(5,715)	-
At 31 December 2012	28,209	19,496	9,404	11,429	44,845	113,383
At 1 January 2013	**28,209**	**19,496**	**9,404**	**11,429**	**44,845**	**113,383**
Comprehensive income :						
Profit for the year					**1,868**	**1,868**
Transactions with owners:						
Transfer to subordinated loan reserve	**-**	**-**	**-**	**5,714**	**(5,714)**	**-**
At 31 December 2013	**28,209**	**19,496**	**9,404**	**17,143**	**40,999**	**115,251**

SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (PARENT COMPANY)
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RO'000	2012 RO'000
OPERATING ACTIVITIES		
Cash receipts from customers	**33,105**	37,439
Cash paid to suppliers and employees	**(21,879)**	(19,287)
Cash generated from operations	**11,226**	18,152
Net finance costs	**(7,355)**	(7,075)
Income tax paid	**(2,631)**	(1,963)
Net cash generated from operating activities	**1,240**	9,114
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(2,749)**	(9,224)
Proceeds from sale of property, plant and equipment	**10**	18
Investment in subsidiary	**-**	(5,775)
Deposits placed	**(5,000)**	-
Deposits under lien	**(4,297)**	
Dividend received	**2,922**	3,137
Net cash used in investing activities	**(9,114)**	(11,844)
FINANCING ACTIVITIES		
Net receipts from mandatory convertible bond	**-**	41,987
Net payments of term loans	**(27,514)**	(23,234)
Net movement in related parties	**34,287**	(18,799)
Net cash generated from/(used in) financing activities	**6,773**	(46)
Decrease in cash and cash equivalents	**(1,101)**	(2,776)
Cash and cash equivalents at the beginning of the year	**10,479**	13,255
Cash and cash equivalents at the end of the year	**9,378**	10,479
Cash and cash equivalents comprise the following:		
Cash and bank balances	**9,378**	10,571
Bank overdrafts	**-**	(92)
	9,378	10,479