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Renaissance Services SAOG

Renaissance Services SAOG
and its Subsidiary Companies

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

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
31 December 2010

Contents *Page*

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RENAISSANCE SERVICES SAOG

Report on the financial statements
We have audited the financial statements of Renaissance Services SAOG ("the Company"), and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2010, and the related 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 notes set out in the notes 1 to 32.

Management's responsibility for the financial statements
The Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Group's Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements
In our opinion, the financial statements of the Group as at and for the year then ended on 31 December 2010, in all material respects, comply with:

- the relevant disclosure requirements of the Capital Market Authority; and
- the Commercial Companies Law of 1974, as amended.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 RO'000	2009 RO'000
Revenue		**253,429**	247,590
Operating expenses		**(176,209)**	(172,907)
Gross profit		**77,220**	74,683
Administrative expenses		**(28,457)**	(34,106)
Profit from operations		**48,763**	40,577
Net finance costs	*20*	**(10,338)**	(7,845)
Share of profit from associate companies	*7*	**368**	-
Net gain (loss) on investments		**3**	(7)
Amortisation of intangible assets	*5*	**(13)**	(34)
Net profit before income tax		**38,783**	32,691
Income tax expenses	*19*	**(6,501)**	(4,181)
Net profit for the year	*20*	**32,282**	28,510
Other comprehensive income (loss)			
Foreign currency translation differences		**5**	31
Effective portion of changes in fair value of cash flow hedges		**(143)**	(88)
Other comprehensive loss for the year		**(138)**	(57)
Total comprehensive income for the year		**32,144**	28,453
Net profit attributable to:			
Shareholders of the Parent Company		**27,648**	25,085
Non controlling interest		**4,634**	3,425
Net profit for the year		**32,282**	28,510
Total comprehensive income attributable to:			
Shareholders of the Parent Company		**27,510**	25,028
Non controlling interest		**4,634**	3,425
Total comprehensive income for the year		**32,144**	28,453
Basic and diluted earnings per share (RO)	*21*	**0.103**	0.094
Dividend per share:			
Cash dividend (RO)	*22*	**0.012**	0.012

The attached notes 1 to 32 form an integral part of these financial statements.

The Parent Company statement of comprehensive income is presented as a separate schedule attached to the financial statements.

The report of the Auditors is set forth on page 1.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	2010 RO'000	2009 RO'000
Non-current assets			
Property, plant and equipment	4	**391,555**	282,749
Intangible assets	5	**38,855**	34,023
Investments	7	**1,734**	1,366
Deferred tax asset	19	**448**	1,229
Total non-current assets		**432,592**	319,367
Current assets			
Trading investments		**15**	12
Inventories and work in progress	9	**13,270**	11,042
Trade and other receivables	10	**93,779**	86,826
Cash and bank balances	11	**22,437**	30,692
Total current assets		**129,501**	128,572
Current liabilities			
Trade and other payables	12	**62,422**	64,760
Bank borrowings	11 & 13	**3,485**	3,520
Term loans and leases	14	**56,308**	38,494
Total current liabilities		**122,215**	106,774
Net current assets		**7,286**	21,798
Non-current liabilities			
Term loans and leases	14	**228,508**	150,090
Non current payables and advances	15	**9,871**	17,835
Staff terminal benefits	16	**5,667**	4,823
Total non-current liabilities		**244,046**	172,748
Net assets		**195,832**	168,417
Equity			
Share capital	17	**28,209**	28,209
Share premium	17	**19,496**	19,496
Treasury shares	17	**(1,704)**	(1,704)
Legal reserve	17	**10,577**	10,440
Proposed distribution	22	**3,385**	3,385
Retained earnings		**112,479**	88,176
Hedging reserve	17	**(231)**	(88)
Exchange reserve	17	**107**	102
		172,318	149,720
Non controlling interest		**23,514**	20,401
Total equity		**195,832**	168,417
Net assets per share (RO)	18	**0.644**	0.553

The financial statements were authorised for issue in accordance with a resolution of the Directors on 27 February 2011.

Chairman   Director

The attached notes 1 to 32 form an integral part of these financial statements.

The Parent Company statement of financial position is presented as a separate schedule attached to the financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	2010 RO'000	2009 RO'000
OPERATING ACTIVITIES			
Cash receipts from customers		**252,547**	242,833
Cash paid to suppliers and employees		**(195,126)**	(186,567)
Cash generated from operations		**57,422**	56,266
Net finance costs		**(10,522)**	(7,613)
Income tax paid		**(6,273)**	(2,663)
Cash flows from operating activities		**40,626**	45,990
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(134,355)**	(71,797)
Acquisition of intangible assets		**(149)**	-
Proceeds from sale of investments		**-**	1,051
Acquisition of a subsidiary		**(5,964)**	-
Dividend received		**176**	136
Cash used in investing activities		**(140,292)**	(70,610)
FINANCING ACTIVITIES			
Net receipt of term loans		**96,232**	38,301
Net movement in related party balances		**120**	141
Cash dividends paid		**(3,385)**	(2,453)
Funds (paid to) / introduced by minority interests		**(1,521)**	3,595
Cash flows from financing activities		**91,446**	39,584
Net (decrease) increase in cash and cash equivalents		**(8,220)**	14,964
Cash and cash equivalents at the beginning of the year		**27,172**	12,208
Cash and cash equivalents at the end of the year	*11*	**18,952**	27,172
Cash and cash equivalents comprise the following:			
Cash and bank balances		**22,437**	30,692
Bank borrowings		**(3,485)**	(3,520)
		18,952	27,172

The attached notes 1 to 32 form an integral part of these financial statements.

The Parent Company statement of cash flows is presented as a separate schedule attached to the financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Attributable to shareholders' of the Parent Company										
	Share capital RO'000	Share premium RO'000	Treasury shares RO'000	Legal reserve RO'000	Proposed distribution RO'000	Retained earnings RO'000	Hedging reserves RO '000	Exchange reserves RO'000	Total RO'000	Non controlling interest RO'000	Total RO'000
1 January 2009	24,530	20,723	(1,704)	9,087	6,132	66,474	-	71	125,313	13,381	138,694
Total comprehensive income for the year :											
Net profit for the year	-	-	-	-	-	25,085	-	-	25,085	3,425	28,510
Other comprehensive income:											
Changes in fair value of cash flow hedge	-	-	-	-	-	-	(88)	-	(88)	-	(88)
Foreign currency translation differences	-	-	-	-	-	-	-	31	31	-	31
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**25,085**	**(88)**	**31**	**25,028**	**3,425**	**28,453**
Transactions with owners, directly recorded in equity:											
Dividend paid and bonus shares issued	3,679	-	-	-	(6,132)	-	-	-	(2,453)	-	(2,453)
Proposed dividend	-	-	-	-	3,385	(3,385)	-	-	-	-	-
Income from treasury shares	-	-	-	-	-	128	-	-	128	-	128
Transfers to legal reserve	-	(1,227)	-	1,353	-	(126)	-	-	-	-	-
Movement related to investments in subsidiaries	-	-	-	-	-	-	-	-	-	3,595	3,595
Transactions with owners, directly recorded in equity	**3,679**	**(1,227)**	**-**	**1,353**	**(2,747)**	**(3,383)**	**-**	**-**	**(2,325)**	**3,595**	**1,270**
31 December 2009	**28,209**	**19,496**	**(1,704)**	**10,440**	**3,385**	**88,176**	**(88)**	**102**	**148,016**	**20,401**	**168,417**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

for the year ended 31 December 2010

	Attributable to shareholders' of the Parent Company										
	Share capital RO'000	Share premium RO'000	Treasury shares RO'000	Legal reserve RO'000	Proposed distribution RO'000	Retained earnings RO'000	Hedging reserves RO '000	Exchange reserves RO'000	Total RO'000	Non controlling interest RO'000	Total RO'000
1 January 2010	**28,209**	**19,496**	**(1,704)**	**10,440**	**3,385**	**88,176**	**(88)**	**102**	**148,016**	**20,401**	**168,417**
Total comprehensive income for the year :											
Net profit for the year	-	-	-	-	-	**27,648**	-	-	**27,648**	**4,634**	**32,282**
Other comprehensive income:											
Changes in fair value of cash flow hedge	-	-	-	-	-	-	**(143)**	-	**(143)**	-	**(143)**
Foreign currency translation differences	-	-	-	-	-	-	-	**5**	**5**	-	**5**
Total comprehensive income for the year	-	-	-	-	-	**27,648**	**(143)**	**5**	**27,510**	**4,634**	**32,144**
Transactions with owners, directly recorded in equity:											
Dividend paid	-	-	-	-	**(3,385)**	-	-	-	**(3,385)**	-	**(3,385)**
Proposed dividend	-	-	-	-	**3,385**	**(3,385)**	-	-	-	-	-
Income from treasury shares	-	-	-	-	-	**177**	-	-	**177**	-	**177**
Transfers to legal reserve	-	-	-	**137**	-	**(137)**	-	-	-	-	-
Movement related to investments in subsidiaries	-	-	-	-	-	-	-	-		**(1,521)**	**(1,521)**
Transactions with owners, directly recorded in equity	-	-	-	**137**	-	**(3,345)**	-	-	**(3,208)**	**(1,521)**	**(4,729)**
31 December 2010	**28,209**	**19,496**	**(1,704)**	**10,577**	**3,385**	**112,479**	**(231)**	**107**	**172,318**	**23,514**	**195,832**

The attached notes 1 to 32 form an integral part of these financial statements.
The Parent Company statement of changes in equity is presented as a separate schedule attached to the financial statements.
The report of the Auditors is set forth on page 1.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 minimum disclosure requirements of the Capital Market Authority (CMA).

These financial statements have been prepared in Rial Omani ("RO") rounded to the nearest thousand.

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

- Held for trading investments;
- Available for sale investments; and
- Derivative financial instruments.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Investments in jointly controlled entities
Investments in the jointly controlled entities are accounted for under the proportionate consolidation method whereby the Group accounts for its share of the assets and liabilities, income and expenses in the jointly controlled entity.

Jointly controlled operations
Where the Group participates in jointly controlled operations as defined in International Accounting Standard 31 the Group accounts only for its own share of assets and liabilities, income and expenditure.

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

Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non controlling interests

Non controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Revenue recognition

Marine charter
Revenue comprises operating lease rent from charter of marine vessels, mobilization income, 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 mobilization or demobilization of the vessel to or from the

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Marine charter (continued)

location of charter under the vessel charter agreement is recognized when the mobilization or demobilization service has been rendered.

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. Where the outcome of a contract can be assessed with reasonable certainty, a prudent estimate of attributable profit is recognised in the income statement. 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.

Goods sold and services rendered
Revenue from the sale of goods is recognised in the income statement 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 income statement 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.

Long-term contracts
As soon as the outcome of a long-term contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. An expected loss on a contract is recognised immediately in the income statement. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

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

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

Investment income and gain or loss on disposals
On disposal of an investment, the resultant gain or loss between the net disposal proceeds and the carrying amount is recognised in the income statement.

Dividend income
Dividend income is recognised in the income statement on the date that the dividend is declared.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Sale of vessels
Revenue from sale of vessels is recognized in the income statement when the 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.

Interest
Interest revenue is recognised as the interest accrues.

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

Property, plant and equipment

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

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

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

	Years
Buildings and improvements	5 - 25
Furniture and fixtures	3 - 5
Plant, machinery and office equipment	1 - 15
Marine vessels revalued (from the date of latest revaluation)	10
Marine vessels acquired	15 - 30
Expenditure on marine vessel dry docking (included as a component of marine vessels)	3
Jetty and land development	25
Floating dock	25
Motor vehicles	3

Freehold land is not depreciated. The cost of certain assets used on specific contracts is depreciated to estimated residual value over the period of the respective contract, including extensions if any.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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.

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.

Vessel refurbishment costs

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

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

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

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

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

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

Investments

Held for trading investments are stated at fair value, with any resultant gain or loss recognised in the income statement. Other investments held by the Group are classified as being available for sale and are stated at fair value. Unrealised gains and losses on remeasurement to fair value are reported in other comprehensive income and presented as fair value reserve in equity until the investment is derecognised or the investment is determined to be impaired. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as “cumulative changes in fair value” within equity is included in the income statement for the period.

Inventories and work-in-progress

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

Work-in-progress in the case of short-term contracts is stated at the invoice value of goods and services supplied less amounts received or receivable. In the case of long-term contracts, work-in-progress is stated at cost, which includes direct costs and all attributable overheads, plus profit recognised to date less a provision for foreseeable losses, uncertainty and progress billings. Cost includes all expenditure related to specific contracts and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, if any.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

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.

Interest bearing borrowings

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

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.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

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 income statement.

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 recognized as an expense in the income statement on a straight-line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 income statement as incurred.

The Group provides end of service benefits to its expatriate employees. 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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

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.

Term loans

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

Net finance costs

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method and interest received on funds invested. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Financing costs are recognised as an expense in the income statement in the period in which they are incurred.

Borrowing costs, net of interest income, which are directly attributable to the acquisition of items of property, plant and equipment are capitalised as the cost of property, plant and equipment. Borrowing costs incurred beyond the construction period are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net finance costs *(continued)*

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

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.

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 income statement 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts use for taxation purposes. The amount of deferred tax provided is based on the expected manner of realistic settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency transactions

Transactions denominated in foreign currencies are translated to Rial Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Rial Omani at foreign exchange rates prevailing on that date. Foreign exchange differences arising on conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Rial Omani at the foreign exchange rates ruling at the dates the values were determined.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rial Omani at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rial Omani at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and are reflected in the exchange reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is transferred to income statement 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 a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within the equity in the translation reserve.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy. The Group considers evidence of impairment of financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

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 recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment *(continued)*

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

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.

Derivatives

Derivatives are stated at fair value. (Level 2)

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.

In relation to effective fair value hedges any gain or loss from remeasuring the hedging instrument to fair value, as well as related changes in fair value of the item being hedged, are recognised immediately in the income statement.

In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in equity and either transferred to the other comprehensive income in the period in which the hedged transaction impacts the statement of comprehensive income, or included as part of the cost of the related asset or liability

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the year.

Fair value hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. For fair value hedges of financial instruments with fixed maturities any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

New standards and interpretation not yet effective

A number of new standards, amendment to the standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which become mandatory for the Group’s 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair values

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

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

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

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:

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

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

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

All other investments are classified as available for sale.

Estimates and assumptions

The preparation of financial statements requires management to make judgments, 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 recognized in the period in which the estimate is revised and in any future periods affected.

3 ACQUISITION OF SUBSIDIARY

On 1 July 2010 the Group obtained control of Al Wasita Emirates Catering Services LLC ("Al Wasita Emirates") by acquiring 100 percent of the shares and voting interests in the company. Al Wasita Emirates is engaged in catering and related contract service activities.

In the six months to 31 December 2010, Al Wasita Emirates contributed revenue of RO 3,339,000 and net profit of RO 573,000 to the Group's result. If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenue would have been RO 256,837,000 and consolidated net profit for the year would have been RO 32,592,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquistion of would have been the same if the acquisition had occurred on 1 January 2010.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identifiable assets acquired and liabilities assumed

	RO'000
Furniture and equipment	**365**
Current assets	**2,584**
Cash and cash equivalents	**29**
Current liabilities	**(1,681)**
Fair value of identifiable net assets	**1,297**
Total consideration transferred	**5,993**
Goodwill	**4,696**

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RO'000	Marine vessels RO'000	Jetty and dock RO'000	Machinery and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost or valuation								
1 January 2010	**49,340**	**248,559**	**2,055**	**29,945**	**2,553**	**1,852**	**45,562**	**379,866**
Adjustment on deconsolidation of a subsidiary	**(1,276)**	**-**	**-**	**(711)**	**(10)**	**-**	**(542)**	**(2,539)**
Acquisitions through business combination	**8**	**-**	**-**	**422**	**-**	**43**	**-**	**473**
Additions	**10,344**	**70,349**	**-**	**5,256**	**665**	**399**	**49,311**	**136,324**
Transfers	**32,157**	**40,463**	**-**	**24**	**-**	**-**	**(72,644)**	**-**
Disposals	**(1,221)**	**(3,181)**	**-**	**(539)**	**(261)**	**(29)**	**(808)**	**(6,039)**
31 December 2010	**89,352**	**356,190**	**2,055**	**34,397**	**2,947**	**2,265**	**20,879**	**508,085**
Depreciation								
1 January 2010	**22,513**	**52,998**	**504**	**17,780**	**1,869**	**1,453**	**-**	**97,117**
Adjustment on deconsolidation of a subsidiary	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Acquisitions through business combination	**2**	**-**	**-**	**96**	**-**	**10**	**-**	**108**
Charge for the year	**4,135**	**13,270**	**144**	**3,681**	**467**	**261**	**-**	**21,958**
Disposals	**(13)**	**(2,075)**	**-**	**(300)**	**(248)**	**(16)**	**-**	**(2,652)**
31 December 2010	**26,637**	**64,193**	**648**	**21,257**	**2,087**	**1,708**	**-**	**116,530**
Net carrying amount								
31 December 2010	**62,715**	**291,997**	**1,407**	**13,140**	**860**	**557**	**20,879**	**391,555**
31 December 2009	26,827	195,561	1,551	12,165	684	399	45,562	282,749

4 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 or valuation								
1 January 2009	45,062	211,255	2,611	25,743	2,362	1,696	15,360	304,089
Additions	4,179	10,532	834	3,032	346	195	67,075	86,193
Transfers	99	35,055	-	1,414	-	-	(36,568)	-
Disposals	-	(8,283)	(1,390)	(244)	(155)	(39)	(305)	(10,416)
31 December 2009	**49,340**	**248,559**	**2,055**	**29,945**	**2,553**	**1,852**	**45,562**	**379,866**
Depreciation								
1 January 2009	18,569	43,554	852	14,804	1,603	1,250	-	80,632
Charge for the year	3,944	13,222	211	3,174	395	241	-	21,187
On disposals	-	(3,778)	(559)	(198)	(129)	(38)	-	(4,702)
31 December 2009	**22,513**	**52,998**	**504**	**17,780**	**1,869**	**1,453**	**-**	**97,117**
Net carrying amount								
31 December 2009	**26,827**	**195,561**	**1,551**	**12,165**	**684**	**399**	**45,562**	**282,749**
31 December 2008	26,493	167,701	1,759	10,939	759	446	15,360	223,457

4 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

During the year, the Group has reviewed the useful life and residual values of its marine vessels and has revised the useful life of certain vessels from 25 years to 30 years, and reassessed their residual values. The revisions have been treated as a change in accounting estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and applied prospectively. Had there been no change in the useful life and residual values of marine vessels, the depreciation charge for the current year would have been higher by RO 1,719,000 and profit for the year would have been lower by the same amount.

Capital work in progress includes progress payments for the construction of new vessels and workshop facilities for marine repair and fabrication and construction. Advances or deposits paid for construction or acquisition of assets are classified as advances to suppliers and contractors, and the amount will be transferred to capital work in progress after the commencement of construction.

During the year 2010, the Group has capitalized borrowing cost amounting to RO 2,074,000 (2009: RO 1,948,000).

The depreciation charge has been allocated in the income statement as follows:

	2010	2009
	RO'000	RO'000
Operating expenses	**20,251**	19,700
Administrative expenses	**1,707**	1,487
	21,958	21,187

5 INTANGIBLE ASSETS

	2010	2009
Goodwill	**RO'000**	RO'000
Initial goodwill	**39,960**	39,960
Additions (note 3)	**4,696**	-
31 December	**44,656**	39,960
Amortisation and impairment		
1 January	**5,968**	5,968
31 December	**5,968**	5,968
Net carrying amount at 31 December	**38,688**	33,992

5 INTANGIBLE ASSETS *(continued)*

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

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

Goodwill	**2010**	2009
	RO'000	RO'000
Topaz Energy and Marine Group	**29,079**	29,079
Tawoos Industrial Services Company LLC	**1,900**	1,900
Al Wasita Emirates Catering Services LLC (note 3)	**4,696**	-
Norsk Offshore Catering AS	**1,007**	1,007
Others (UMS, NTI and NHI)	**2,006**	2,006
	38,688	33,992

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

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

For the year ended 31 December 2010, there have been no events or changes in circumstances to indicate that the carrying values of goodwill of the above cash-generating units may be impaired.

Computer software	**2010**	2009
	RO'000	RO'000
1 January	**31**	65
Acquisition through business combination	**149**	-
Amortisation	**(13)**	(34)
Net carrying amount at 31 December	**167**	31
Total intangible assets	**38,855**	34,023

6 SUBSIDIARIES AND ASSOCIATES

The Group and Parent Company investments in Subsidiary and Associate companies are as follows:

	Ownership interest (%)	
	2010	2009
Subsidiary Companies		
Topaz Energy and Marine Limited (“TOPAZ”) (incorporated in UAE)	**100**	100
Tawoos Industrial Services Company LLC ("TISCO")	**100**	100
United Media Services Company LLC ("UMS")	**100**	100
National Training Institute LLC ("NTI")	**100**	100
National Hospitality Institute SAOG ("NHI")	**46**	46
Renaissance Energy Limited (“REL”)	**100**	-

In 2010 Renaissance Services SAOG has incorporated a new subsidiary, Renaissance Energy Limited (“REL”) in Jebel Ali Free Zone Authority, Dubai, to raise funding from regional and international banks and to hold its overseas investments.

Associate Companies		
Dubai Wire FZE ("DW") (incorporated in the UAE)	**20**	20

The Group’s subsidiaries have investments in the following subsidiaries:

Subsidiary Companies of TOPAZ		
Nico Middle East Limited (incorporated in Bermuda)	**100**	100
Topaz Holding Limited (incorporated in the UAE)	**100**	100
Topaz Energy and Marine Services DMCC (incorporated in the UAE)	**100**	-

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

Topaz Energy and Marine Services DMCC is a wholly owned subsidiary of Topaz Energy and Marine Limited, incorporated in 2010. It has been formed with the purpose of owning an office accommodation for the group in Dubai Multi Commodities Centre (Free Zone) and providing administrative services to group companies.

Topaz owns 50% of the shareholding in Mangistau Oblast Boat Yard LLP (“MOBY”), an entity incorporated in Kazakhstan. In the previous year when the facilities of MOBY were under construction, it was being entirely managed by the Group and hence treated as a subsidiary in the consolidated financial statements of Topaz. However, since the commencement of operations in the current year, the Group has re-examined the matter, and having acknowledged that the other partners in MOBY have become more participative in the management and decisions are now being made jointly, has dealt with MOBY as a jointly controlled entity (refer note 8).

Subsidiary Companies of TISCO		
Rusail Catering and Cleaning Services LLC ("RCCS")	**100**	100
Supraco Limited (incorporated in Cyprus)	**100**	100
Renaissance Contract Services International LLC ("RCSI")	**100**	100
Al Wasita Catering Services LLC ("Al Wasita")	**100**	-

6 SUBSIDIARIES AND ASSOCIATES *(continued)*

Al Wasita is wholly owned subsidiary of TISCO which was formed during 2010 to acquire the shares in Al Wasita Emirates Catering Services LLC, a company incorporated in the UAE, which is engaged in the supply of catering services (refer note 3).

Supraco Limited through its subsidiaries in Norway provides contract catering services. RCSI through its subsidiaries in Angola, UAE and Qatar provide, catering and allied services in the respective countries. RCSI subsidiaries in Iraq, Dubai and Abu Dhabi, UAE are dormant as at 31 December 2010.

	Ownership interest (%)	
	2010	2009
Subsidiary Companies of UMS		
United Press and Publishing Company LLC ("UPP")	**100**	100
Oryx Advertising Company WLL (incorporated in Qatar)	**49**	49
Subsidiary Company of NHI		
Nakshatra Hospitality India Private Limited (incorporated in India)	**100**	100
Subsidiary Company of NTI		
National Training Institute Qatar WLL (incorporated in Qatar)	**100**	100

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

7 INVESTMENTS

	2010	2009
	RO'000	RO'000
Non-current investments		
Investment in associates companies	**1,343**	975
Available for sale investments	**391**	391
	1,734	1,366

Investment in associates

As at 31 December 2010, the Group has an associate Dubai Wire FZE. The increase in carrying amount relates to the Group's share in DW's profits.

Available for sale investments

Available for sale investments represents investments in Global Fasteners Limited (incorporated in the Isle of Man), Fund for Development of Youth Projects SAOC and Industrial Management Technology and Contracting LLC.

8 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group's share of income, expenses, assets and liabilities in the jointly controlled entities at 31 December are set out below:

	2010	2009
	RO'000	RO'000
Current assets	**9,293**	6,282
Current liabilities	**(6,530)**	(2,366)
Non-current assets	**8,167**	4,193
Non-current liabilities	**(6,430)**	(2,769)
Net assets	**4,500**	5,340
Revenue	**10,029**	5,917
Cost of sales	**(8,858)**	(3,828)
Administrative expenses	**(1,493)**	(1,001)
Finance cost	**(373)**	(166)
Finance income	**-**	1
Other income	**9**	-
Tax	**(39)**	(15)
Net (loss) / profit for the year	**(725)**	908

Investments in jointly controlled entities are in:

	2010	2009
	%	%
Nico Dososan Babcock (previously known as Nico Mitsui Babcock)	**50**	50
DMS Jaya Marine WLL	**51**	51
Jaya DMS Marine Pte Ltd.	**50**	50
Mangistau Oblast Boat LLP (refer note 6)	**50**	50

The above entities are incorporated in the UAE, Qatar, Singapore and Kazakhstan, respectively.

9 INVENTORIES AND WORK IN PROGRESS

	2010	2009
	RO'000	RO'000
Stock and consumables – net	**7,981**	6,096
Work in progress	**5,289**	4,946
	13,270	11,042

10 TRADE AND OTHER RECEIVABLES

	2010	2009
	RO'000	RO'000
Trade receivables - net	**59,897**	57,460
Prepayments and other receivables	**20,598**	15,365
Advances to suppliers and contractors	**11,914**	13,224
Amounts due from related parties (note 23)	**1,370**	777
	93,779	86,826

As at 31 December 2010, trade receivables of RO 3,725,000 (2009: RO 3,902,000) were impaired.

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

	2010	2009
	RO'000	RO'000
At 1 January	**3,902**	2,587
Charge for the year	**533**	1,450
Amounts written off	**(263)**	(125)
Unused amounts reversed	**(447)**	(10)
At 31 December	**3,725**	3,902

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

			Past due but not impaired				
	Total	*Neither past due nor impaired*	*< 30 days*	*30 – 60 days*	*60 – 90 day*	*90 – 120 day*	*>120 days*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*
2010	**59,897**	**43,261**	**6,500**	**2,858**	**2,393**	**1,576**	**3,309**
2009	57,460	35,057	14,727	2,070	1,492	1,861	2,253

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.

11 CASH AND CASH EQUIVALENTS

	2010	2009
	RO'000	RO'000
Cash and bank balances	**22,437**	30,692
Bank borrowings (note 13)	**(3,485)**	(3,520)
	18,952	27,172

Included in cash and bank balances are fixed and call deposits of RO 5,217,000 (2009: RO 10,364,000) maintained with commercial banks. These are denominated mainly in Rial Omani, US Dollar, UAE Dirhams and Qatari Rial and are short term in nature.

12 TRADE AND OTHER PAYABLES

	2010	2009
	RO'000	RO'000
Trade payables	**22,792**	20,167
Accrued expenses and other payables	**33,507**	38,703
Income tax payable	**5,050**	5,529
Amounts due to related parties (note 23)	**1,073**	361
	62,422	64,760

13 BANK BORROWINGS

Certain of the Group's bank borrowings are secured by a registered first mortgage over Group's certain assets, guarantees and assignment of receivables. Bank borrowings carries interest rates ranging from 3% to 9.5% per annum (2009: 6% to 9% per annum).

14 TERM LOANS AND LEASES

Term loans

31 December 2010	**Total**	**1 year or less**	**2 -5 Years**	**More than 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Parent company – term loans	**110,399**	**27,026**	**66,504**	**16,869**
Parent company - subordinated loan	**20,000**	**-**	**10,000**	**10,000**
Subsidiary companies	**154,417**	**29,282**	**103,362**	**21,773**
	284,816	**56,308**	**179,866**	**48,642**

31 December 2009	Total	1 year or less	2 -5 Years	More than 5 years
	RO'000	RO'000	RO'000	RO'000
Parent company	60,375	15,790	34,460	10,125
Subsidiary companies	126,986	22,494	95,051	9,441
	187,361	38,284	129,511	19,566

Included in term loans from bank are the following:

Term loans in Parent Company
Term loans in Parent Company amounting to RO 110,399,000 (2009: RO 60,375,000) are secured by charge over certain assets, investment rights on leasehold land, assignment of certain project receivables, assignment of insurance interests in certain contract assets and guarantees.

Subordinated loan in Parent Company
In 2010 the Parent Company has raised a subordinated loan of RO 40,000,000 through an issue of subordinated loan notes, which is secured by a second charge over the assets of the Parent Company and its subsidiaries. The loan has been raised by the Parent Company for funding its subsidiary company, TOPAZ for meeting the financing requirements of the expansion plans in Topaz's marine and engineering businesses.

14 TERM LOANS AND LEASES *(continued)*

The first drawdown of RO 20,000,000 of the loan was made on 6 December 2010. The second drawdown of RO 20,000,000 will be made by 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 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.

Term loans in Subsidiaries

Term loans relate only to Topaz. The term loans, amounting to RO 154,417,000 are secured by a first preferred mortgage over certain assets of the subsidiaries, the assignment of marine vessel insurance policies, the assignment of the marine vessel charter lease income. The equipment finance loan is secured against plant and machinery acquired with the proceeds of the loan. The property loan is secured by first preferred mortgage over the underlying property.

The borrowing arrangements include undertakings to comply with various covenants like senior interest cover, current ratio, debt to EBITDA ratio, gearing ratio, total assets to net worth ratio and equity ratio including an undertaking to maintain a minimum net worth of TOPAZ which, at no time, shall be less than RO 86,500,000 (2009: RO 62,000,000). Term loans carry interest rates ranging from 4.5% to 9.5% per annum (2009: 4.5% to 7.5% per annum).

Leases

	2010	2009
	RO'000	RO'000
Total lease payments outstanding as at 31 December	**-**	1,223
Less: Due within a year (disclosed as current liability)	**-**	(210)
Long term lease obligations (note 24 c)	**-**	1,013

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

	2010	2009
	RO'000	RO'000
Non current liabilities:		
Term loans	**228,508**	149,077
Finance leases	**-**	1,013
	228,508	150,090
Current liabilities:		
Term loans	**56,308**	38,284
Finance leases	**-**	210
	56,308	38,494

15 NON CURRENT PAYABLE AND ADVANCES

	2010	2009
	RO'000	RO'000
Deferred income	**2,093**	732
Income tax payable	**5,431**	5,506
Other payables and advances	**2,347**	11,597
	9,871	17,835

16 STAFF TERMINAL BENEFITS

	2010	2009
	RO'000	RO'000
Movements in the liability recognized in the statement of financial position are as follows:		
1 January	**4,823**	4,151
Addition on acquisition of a subsidiary	**64**	-
Accrued during the year	**1,897**	1,278
Payments during the year	**(1,117)**	(606)
31 December	**5,667**	4,823

Significant amount of terminal benefits as at 31 December 2010 is comprised of end of service obligations of Topaz (2010: RO 3,520,000; 2009: RO 2,981,000). Principal actuarial assumptions for Topaz at the reporting date are:

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

The pension scheme of one of Group's subsidiary covers a total of 543 employees (2009: 477 employees). The pension scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from the national insurance fund. The obligations are covered through an insurance company. The calculated pension obligations are based on actuarial valuation.

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

17 CAPITAL AND RESERVES

Share capital

The authorised share capital of the Parent Company comprises 400,000,000 ordinary shares of RO 0.100 each (2009: 400,000,000 of RO 0.100 each). At 31 December 2010, the issued and fully paid up share capital comprised 282,094,452 ordinary shares of RO 0.100 each (2009: 282,094,452 of RO 0.100 each).

17 CAPITAL AND RESERVES *(continued)*

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

	2010		2009	
	Number of shares '000	**%**	Number of shares '000	%
Tawoos LLC	**42,538**	**15.08**	42,538	15.08

Legal reserve

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

Treasury shares

These are shares held by certain subsidiaries in the Parent Company at the cost of RO 1,703,826 (2009: 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 2010, the subsidiaries held 14,554,586 shares (2009: 14,554,586) in the Parent Company. The market value of these shares at 31 December 2010 was approximately RO 16,130,000 (2009: RO 11,130,000). Treasury shares are pledged against a bank loan.

Share premium

The Group utilises the share premium for issuing bonus shares and transfers to legal reserve. No such transfers took place during 2010.

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.

Exchange reserve

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

18 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:

	2010	2009
Net assets		
Net assets (RO '000)	**195,832**	168,417
Minority interest (RO '000)	**(23,514)**	(20,401)
Net assets attributable to the shareholders of the Parent Company (RO '000)	**172,318**	148,016
Number of shares		
Number of shares at 1 January ('000)	**282,094**	245,299
Bonus shares issued ('000)	**-**	36,795
	282,094	282,094
Treasury shares (refer note 17) ('000)	**(14,555)**	(14,555)
Number of shares at 31 December ('000)	**267,539**	267,539
Net assets per share (RO)	**0.644**	0.553

19 INCOME TAX

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

	2010	2009
	RO'000	RO'000
Charge for the year	**6,501**	4,181
Current liability	**5,050**	5,529
Non current liability	**5,431**	5,506
	10,481	11,035
Deferred tax asset		
At 1 January	**1,229**	1,239
Debited to income statement	**(781)**	(10)
At 31 December	**448**	1,229

The deferred tax balance at 31 December 2010 comprises capital allowances in excess of depreciation charge of RO 322,000 (2009: RO 1,115,000) and short term timing differences of RO 125,000 (2009: RO 88,000).

The Parent Company and its Oman incorporated subsidiaries are subject to income tax at the rate of 12% of taxable income in excess of RO 30,000 in accordance with the income tax law of the Sultanate of Oman.

19 INCOME TAX *(continued)*

The Parent Company's assessments for the tax years 2005 to 2009 have not been finalised with the Secretariat General for Taxation at the Ministry of Finance (the 'Department').

The Parent Company has filed appeals to the Tax Committee and the Courts against certain decisions of the Department on disallowances made by the Department in the assessments. The main issues under the appeals are taxation of overseas income, taxation of overseas dividend, double taxation of management fees paid by the subsidiaries to the parent company and disallowances relating to interest and some specific expenses. The Parent Company has established provisions at 31 December 2010 against the potential tax liabilities which might arise in this regard. As required under the tax laws, the Parent Company has paid the tax dues and are continuing to appeal to the higher authorities on some of the disallowances made by the Department in assessments.

20 NET PROFIT FOR THE YEAR

Net profit for the year is stated after charging:	**2010**	2009
	RO'000	RO'000
Staff costs	**82,896**	78,408
Net finance costs		
Net interest expense	**10,522**	8,247
Reversal for derivative used for hedging (refer note 25)	**(184)**	(402)
	10,338	7,845

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted 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 as follows:

	2010	2009
Net profit for the year attributable to the shareholders of the Parent Company (RO'000)	**27,648**	25,085
Weighted average number of shares		
Number of shares at 1 January ('000)	**282,094**	282,094
Less: weighted average number of treasury shares ('000)	**(14,555)**	(14,555)
Weighted average number of shares ('000)	**267,539**	267,539
Basic and diluted earnings per share (RO)	**0.103**	0.094

22 DIVIDEND PER SHARE

	2010	2009
Total distribution for the Shareholders (RO '000)	**3,385**	3,385
Number of shares outstanding at 31 December ('000)	**282,094**	282,094
Distribution per share (RO)	**0.012**	0.012
Cash dividend (RO '000)	**3,385**	3,385
Bonus shares, at par (RO '000)	**-**	-
	3,385	3,385

The dividend proposed by the Board of Directors is subject to the approval of shareholders at the Annual General Meeting (AGM) of the Company on 28 March 2011. Dividend for the year 2009 was approved by the shareholders at the AGM held on 28 March 2010.

As required by CMA regulation, unclaimed dividends of previous years have been deposited with the CMA Investors' Trust Fund. There were no unclaimed dividends for 2010.

23 RELATED PARTY TRANSACTIONS

The Group has entered into transactions with entities over which certain Directors are able to exercise significant influence. In the ordinary course of business, such related parties provide goods, services and funding to the Group. The Group also provides goods, services and funding to the related parties. The Board of Directors believes that the terms of purchases, sales, provision of services and funding arrangements are comparable with those that could be obtained from unrelated third parties.

The value of significant related party transactions during the year was as follows:

	2010 **RO'000**	2009 RO'000
Income		
Service rendered and sales	**408**	941
Advances due from related parties		
Net advances	**14**	328
Expenses		
Services received and purchases	**285**	1,071
Directors' remuneration and sitting fees		
Remuneration	**176**	174
Sitting fees	**24**	26

Remuneration and sitting fees above relate only to the Parent Company.

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

Service rendered and sales	**20**	20

23 RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

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

	2010	2009
	RO'000	RO'000
Short-term benefits	**1,737**	1,631
Employees' end of service benefits	**263**	26
	2,000	1,657

Topaz Energy and Marine Limited has paid RO 270,900 as remuneration to its Executive Chairman who is also the Chairman of the Parent Company.

Amounts due from and due to related parties have been disclosed in notes 10 and 12 respectively.

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2010, the Group has not recorded any impairment of amounts owed by related parties (2009: Nil).

24 COMMITMENTS AND CONTINGENT LIABILITIES

	2010	2009
	RO'000	RO'000
Commitments		
Letters of credit	**4,737**	893
Capital expenditure commitments	**39,297**	67,223
Contingent liabilities		
Letters of guarantee	**46,595**	28,627
Bills discounted – receivables	**1,987**	-

Litigation

In the previous year, one of the Group's customer cancelled contracts for building two marine vessels. The Group is of the view that the cancellation is a breach of contract and a case has been filed in the UK courts, challenging the cancellation. The matter is presently subject to litigation in the High Court in London, and likely to be heard during the first quarter of 2011. The Management believes that, it is unlikely that the Group will incur losses as a consequence of this breach of contract.

25 LEASES

a) Operating leases - receivable

The Group leases its marine vessels under operating leases. The leases typically run for a period between 3 months to 10 years and are renewable for similar periods after the expiry date. The lease rental is usually renewed to reflect market rentals. Future minimum lease rentals receivable under non-cancellable operating leases are as follows as of 31 December:

	2010	2009
	RO'000	RO'000
Within one year	**64,507**	58,898
Between one and five years	**126,070**	132,415
More than five years	**52,044**	54,430
	242,621	245,743

b) Operating leases - payable

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

	2010	2009
	RO'000	RO'000
Within one year	**8,493**	6,946
Between one and five years	**23,855**	6,537
More than five years	**14,468**	4,530
	46,816	18,013

c) Finance lease commitments

The Group has entered into finance lease commitments with rentals payable as follows:

	Present value of minimum lease payments	
	2010	2009
	RO'000	RO'000
Within one year	**-**	210
After one year but not more than five years	**-**	362
More than five years	**-**	651
Total minimum lease payments	**-**	1,223

26 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative 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.

31 December 2010:

	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**
Interest rate swaps	-	2,903	70,562	5,726	57,394	7,442
	-	2,903	70,562	5,726	57,394	7,442

31 December 2009:

	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**
Interest rate swaps	-	2,870	45,335	1,093	44,242	-
Forward foreign exchange contracts	-	74	17,346	17,346	-	-
	-	2,944	62,681	18,439	44,242	-

The term loan facilities of the Group bear interest at US LIBOR plus applicable margins. In accordance with the financing documents, the Group has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") amounting to approximately RO 21,150,000 (2009: RO 21,150,000) at a fixed interest rate of 3.95% (2009: 3.95%) per annum excluding margin, RO 4,120,000 (2009: RO 5,760,000) at a fixed margin of 4.89% (2009: 4.89%) per annum excluding margin, RO 19,230,000 (2009: RO 19,230,000) at the rate of 2% (2009: 2%) per annum excluding margin, and an amount of RO 3,230,000 (2009: RO 3,850,000) at the rate of 3.25% (2009: 3.25%) per annum excluding margin and an amount of RO 22,810,000 (2009: nil) at the rate of 1.97% (2009: nil) per annum excluding margin. At 31 December 2010, the US LIBOR was approximately 0.46% (31 December 2009: 0.43%) per annum, whereas the Group has fixed interest at 3.95%, 4.89%, 2%, 3.25% and 1.97% per annum (2009: 3.95%, 4.89%, 2% and 3.25% per annum). Accordingly, the gaps between US LIBOR and fixed rate under IRS was approximately 3.49%, 4.43%, 1.54%, 2.79% and 1.51% (2009: 3.52%, 4.46%, 1.57% and 2.82%) per annum.

Based on the interest rates gaps, over the life of the IRS, the indicative losses were assessed at approximately RO 2,900,000 (2009: RO 2,900,000) by the counter parties to IRS. In case the Group terminates the IRS at 31 December 2010, it may incur losses to the extent of approximately RO 2,900,000 (2009: RO 2,860,000). Consequently, in order to comply with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" fair value of the hedge instruments' indicative losses in the amount of approximately RO 2,900,000 (2009: RO 2,860,000) has been recorded under accounts payables and accruals and the impact for the year amounting to RO 180,000 (2009: RO 510,000) has been recorded under finance costs and RO 140,000 (2009: RO 90,000) has been recognized in the hedging reserve.

26 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Similarly, an amount of RO nil (2009: RO 70,000) has been recorded under accounts payable and accruals in respect of forward foreign exchange contracts and the net impact for the year amounting to RO nil (2009: RO 100,000) has been recorded under finance costs (refer note 19).

The Parent Company has entered into USD LIBOR callable accruals swaps as an interest cost reduction strategy. The accruals range is between 0% to 7% (2009: 0% to 7%) per annum. Any gains or loss related to these swaps are recognised as finance cost.

27 OPERATING SEGMENTS

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

Engineering services: includes ship repair, ship building and fabrication and maintenance services for the oil and gas industry.

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

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

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

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

27 OPERATING SEGMENTS *(continued)*

Information about reportable segments:

	Engineering services		Marine services		Contract services		Others		Adjustments		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Total revenues	**77,376**	77,904	**94,931**	95,500	**84,387**	65,035	**14,083**	10,304	**(3,552)**	(503)	**267,225**	248,240
Less: Inter-segment revenue	**(11,822)**	(313)	**(1,705)**	-	**(174)**	(126)	**(95)**	(211)	**-**	-	**(13,796)**	(650)
External revenue	**65,554**	77,591	**93,226**	95,500	**84,213**	64,909	**13,987**	10,093	**(3,552)**	(503)	**253,429**	247,590
Net finance (cost)/income	**(353)**	(463)	**(9,005)**	(7,000)	**(1,473)**	(574)	**493**	(210)	**-**	402	**(10,338)**	(7,845)
Depreciation and amortisation	**(3,143)**	(2,452)	**(13,558)**	(13,427)	**(4,412)**	(4,536)	**(858)**	(551)	**-**	(255)	**(21,971)**	(21,221)
Reportable segment profit after income tax	**2,732**	3,625	**22,331**	22,639	**9,540**	7,017	**1,341**	(3,992)	**(3,661)**	(779)	**32,283**	28,510
Reportable segment assets	**56,735**	58,288	**373,054**	277,366	**117,576**	91,881	**50,017**	39,091	**(35,290)**	(18,687)	**562,092**	447,939
Capital expenditure	**2,819**	9,762	**119,566**	45,064	**12,741**	30,955	**2,146**	412	**(475)**	-	**136,797**	86,193
Reportable segment liabilities	**33,800**	39,521	**220,849**	150,352	**71,500**	45,875	**66,251**	58,880	**(26,140)**	(15,106)	**366,260**	279,522

27 OPERATING SEGMENTS *(continued)*

Geographical segments:

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

	2010	2009
	RO'000	RO'000
Oman	**56,075**	42,943
Middle East and North Africa (excluding Oman)	**85,201**	135,665
Caspian	**70,174**	51,553
Others	**41,979**	17,429
	253,429	247,590

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

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.

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

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 statement of financial position date was:

	2010	2009
	RO'000	RO'000
Investments	**1,749**	1,378
Trade receivables	**59,897**	57,460
Amount due from related parties	**1,370**	777
Cash and bank balances	**22,437**	30,692
	85,453	90,307

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.

Liquidity risk

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

The Group limits its liquidity risk by ensuring that bank facilities are available. Short term loans and overdraft are, on average, utilized for period of 90 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 2010	**Carrying amount RO'000**	**Contractual cash flows RO'000**	**Upto 1 year RO'000**	**1 year to 5 years RO'000**	**More than 5 years RO'000**
Term loans and leases	**284,816**	**333,262**	**68,866**	**210,515**	**53,881**
Bank borrowings	**3,485**	**3,485**	**3,485**	**-**	**-**
Trade and other payables	**57,372**	**57,372**	**57,372**	**-**	**-**
	345,673	**394,119**	**129,723**	**210,515**	**53,881**

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk (continued)

31 December 2009	Carrying amount RO'000	Contractual cash flows RO'000	Upto 1 year RO'000	1 year to 5 years RO'000	More than 5 years RO'000
Term loans and leases	188,584	213,477	41,952	144,218	27,307
Bank borrowings	3,520	3,520	3,520	-	-
Trade and other payables	87,418	87,418	64,760	22,658	-
	279,522	304,415	110,232	166,876	27,307

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 optimizing the return on risk.

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

Currency risk

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

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the RO currency rate against the foreign currencies, with all other variables held constant, on the profit or loss (due to the fair value of currency sensitive monetary assets and liabilities).

	Effect on profit before tax Increase/decrease in respective Currency rate to the RO '000	
2010	**+5%**	**-5%**
Euro (EUR)	**23**	**(23)**
Azerbaijan Manat (MNT)	**18**	**(18)**
Kazakhstan Tenge (KZT)	**12**	**(12)**
UK Pound (GBP)	**6**	**(6)**
Norwegian Krone (NOK)	**38**	**(38)**
Japanese Yen (JPY)	**3**	**(3)**
Singapore Dollars (SGD)	**16**	**(16)**

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Currency risk (continued)

	Effect on profit before tax Increase/decrease in respective Currency rate to the RO '000	
2009	+5%	-5%
Euro (EUR)	(39)	39
Azerbaijan Manat (MNT)	(15)	15
Kazakhstan Tenge (KZT)	(30)	30
UK Pound (GBP)	(14)	14
Norwegian Krone (NOK)	(32)	32

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

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 2010.

	Increase/decrease in basis points	*Effect on profit for the year RO'000*
2010		
Borrowings converted to Rial Omani	**+15**	**(234)**
Borrowings converted to Rial Omani	**-10**	**156**
2009		
Borrowings converted to Rial Omani	+15	(216)
Borrowings converted to Rial Omani	-10	144

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.

Capital 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 return on capital.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain of the Group's accounting policies and disclosures require the determination of fair value, for non-financial assets. 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 that asset.

Derivatives

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.

Financial instruments comprise financial assets and financial liabilities.

The fair value of derivatives is set out in note 26. The fair values of other financial instruments are not materially different from their carrying values.

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	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
31 December 2010				
Investments	15	-	391	406
Derivative financial instruments	-	(2,903)	-	(2,903)
31 December 2009				
Investments	12	-	391	403
Derivative financial instruments	-	(2,944)	-	(2,944)

30 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation uncertainty

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amount of goodwill at 31 December 2010 was RO 38,688,000 (2009: RO 33,992,000).

30 KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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 2010 was RO 292,000,000 (2009: RO 196,000,000).

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 63,622,000 (2009: RO 61,362,000) and the provision for doubtful debts was RO 3,725,000 (2009: RO 3,902,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

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. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the statement of financial position date, gross inventories were RO 8,596,000 (2009: RO 6,675,000) with provisions for old and obsolete inventories of RO 615,000 (2009: RO 579,000). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives of property, plant and equipment

The useful lives, residual values and methods of depreciation of property, plant and equipment is 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.

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.

Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. As at the reporting date the cumulative fair value of the interest rate swap was RO 2,903,000 (2009: RO 2,944,000).

30 KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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 (also refer note 2).

31 SUBSEQUENT EVENTS

Subsequent to the reporting date, Topaz has established a new wholly owned subsidiary Topaz Energy and Marine plc, UK, with the objective of listing Topaz in the London Stock Market and raising equity capital from the public markets. Topaz is in the process of seeking approvals from the various stake holders and the UK Listing Authority. The proceeds from the capital raised will be used to finance the future growth plans of Topaz.

32 COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation.