

Nico Middle East Limited and its subsidiaries

Consolidated financial statements

For the year ended 31 December 2013

Nico Middle East Limited and its subsidiaries

Consolidated financial statements

31 December 2013

<i>Contents</i>	<i>Page</i>
Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of cash flows	5
Consolidated statement of changes in equity	6-7
Notes to the consolidated financial statements	8-51

Nico Middle East Limited and its subsidiaries

Consolidated statement of comprehensive income as at 31 December 2013

	Notes	2013 USD'000	2012 USD'000
Revenue	6	376,446	309,490
Direct costs		(230,515)	(192,738)
GROSS PROFIT		145,931	116,752
Administrative expenses		(35,321)	(30,013)
Impairment losses	8	(4,839)	(3,935)
Other income	7	1,892	587
PROFIT BEFORE FINANCE COSTS AND INCOME TAX		107,663	83,391
Finance costs	9	(45,444)	(37,400)
Finance income	9	1,404	1,000
Finance costs – net		(44,040)	(36,400)
PROFIT BEFORE INCOME TAX		63,623	46,991
Income tax expense	10	(18,836)	(12,546)
PROFIT FOR THE YEAR	11	44,787	34,445
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Changes to cash flow hedges	9	2,276	2,715
OTHER COMPREHENSIVE INCOME FOR THE YEAR		2,276	2,715
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		47,063	37,160
Profit attributable to:			
Owners		25,563	22,801
Non-controlling interest		19,224	11,644
PROFIT FOR THE YEAR		44,787	34,445
Total comprehensive income attributable to:			
Owners		27,839	25,516
Non-controlling interest		19,224	11,644
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		47,063	37,160

Nico Middle East Limited and its subsidiaries

Consolidated statement of financial position

	Notes	2013 USD'000	2012 USD '000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,121,815	980,193
Intangible assets and goodwill	13	26,766	26,846
Long-term receivables and prepayments	15	7,546	14,464
Deferred tax asset	25	2,104	4,770
		1,158,231	1,026,273
Current assets			
Inventories	14	4,178	8,045
Accounts receivable and prepayments	15	107,433	98,321
Due from related parties	24	17,098	19,340
Bank balances and cash	16	169,297	32,942
		298,006	158,648
TOTAL ASSETS		1,456,237	1,184,921
EQUITY AND LIABILITIES			
Equity			
Share capital	17	256,818	256,818
Statutory reserve	18	38	38
Hedging reserve	19	158	(2,118)
Retained earnings		191,227	165,664
Total equity attributable to equity holders of the Company		448,241	420,402
Non-controlling interest		92,673	73,449
Total equity		540,914	493,851
Non-current liabilities			
Term loans	20	619,753	352,545
Loan due to holding company	21	106,000	161,360
Employees' end of service benefits	22	3,072	2,593
Accounts payable and accruals	23	4,190	5,818
Fair value of derivatives	29	726	2,102
		733,741	524,418
Current liabilities			
Accounts payable and accruals	23	84,947	54,195
Bank overdraft	16	-	5,846
Term loans	20	51,136	82,204
Loan due to holding company	21	28,000	5,424
Due to related parties	24	1,045	2,795
Income tax payable	10	14,567	12,313
Fair value of derivatives	29	1,887	3,875
		181,582	166,652
Total liabilities		915,323	691,070
TOTAL EQUITY AND LIABILITIES		1,456,237	1,184,921

The consolidated financial statements were approved and authorised for issue in accordance with a resolution of the directors on

Director

Director

Nico Middle East Limited and its subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2013

	Notes	2013 USD'000	2012 USD'000
Profit before income tax from continuing operations		63,623	46,991
Adjustments to reconcile profit (loss) before tax to net cash flows:			
Charge on discontinuance of hedge accounting	9	2,116	2,508
Fair value changes of derivative financial instruments	9	(3,205)	(2,772)
Impairment losses on property, plant and equipment	8	-	2,200
Impairment loss on trade accounts receivables	8	4,839	1,735
Provision for slow moving inventory	14	-	436
Provision for employees end of service benefits	22	870	1,401
Profit on sale of property, plant and equipment	7	-	(234)
Finance income	9	(315)	(736)
Finance costs	9	45,444	37,400
Depreciation, amortization and mobilisation		67,617	53,945
Advances write off		1,500	-
Working capital adjustments:			
Inventories		3,868	(202)
Marine vessels classified as inventories and sold during the year		2,795	-
Accounts receivables, prepayments and other assets		(17,451)	(4,452)
Accounts payable, accruals and other liabilities		(5,631)	16,093
Due from related parties		2,242	(18,319)
Due to related parties		(4,604)	3,100
Net cash from operations		163,708	139,094
OPERATING ACTIVITIES			
Income tax paid		(13,915)	(11,297)
Interest paid		(38,057)	(38,724)
End of service benefits paid	22	(442)	(408)
Net cash flows generated from operating activities		111,294	88,665
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(155,066)	(98,256)
Advance paid for vessels		(10,197)	(1,714)
Payments for intangible assets		-	(248)
Proceeds from disposal of property, plant and equipment		-	801
Change in long term receivable		(1,282)	(18,990)
Net movement in restricted cash		1,000	(3,000)
Net cash flows used in investing activities		(165,545)	(121,407)
FINANCING ACTIVITIES			
Loans borrowed		511,805	266,582
Loans paid		(281,569)	(257,502)
Loan due to Holding Company		-	49,600
Repayment of loan due to Holding Company		(32,784)	(30,000)
Dividend paid to Owner		-	-
Dividend paid to non-controlling interests		-	(3,500)
Net cash flows generated from financing activities		197,452	25,180
DECREASE IN CASH AND CASH EQUIVALENTS		143,201	(7,562)
Cash and cash equivalents at 1 January		15,096	32,766
Less: Cash and cash equivalent at 1 January relating to related party		-	(10,108)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	158,297	15,096

The independent auditors' report is set out on page 3.

The attached notes on pages 8 to 51 form part of these consolidated financial statements.

Nico Middle East Limited and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2013

	<i>Attributable to Owners of the Company</i>						<i>Non-controlling interests</i>	
	<i>Share capital</i> <i>USD '000</i>	<i>Statutory reserve</i> <i>USD '000</i>	<i>Hedging reserve</i> <i>USD '000</i>	<i>Translation reserve</i> <i>USD '000</i>	<i>Retained earnings</i> <i>USD '000</i>	<i>Total</i> <i>USD '000</i>	<i>USD '000</i>	<i>Total equity</i> <i>USD '000</i>
Balance at 1 January 2012	241,818	2,622	(4,832)	634	151,611	391,853	66,369	458,222
Profit for the year	-	-	-	-	22,801	22,801	11,644	34,445
Net changes in fair value of cash flow hedges (refer note 9)	-	-	2,715	-	-	2,715	-	2,715
Total comprehensive income for the year	-	-	2,715	-	22,801	25,516	11,644	37,160
Transactions with the Owners								
Dividend paid to non controlling interests (refer note 35)	-	-	-	-	-	-	(3,500)	(3,500)
Conversion of Holding Company Loan in to share capital	15,000	-	-	-	-	15,000	-	15,000
Transfer to Income Statement	-	-	-	(896)	-	(896)	-	(896)
Transfer to related party	-	(2,584)	-	262	(8,775)	(11,097)	(763)	(11,860)
Acquisition of non controlling interest	-	-	-	-	-	-	(275)	(275)
Reclassification	-	-	(1)	-	27	26	(26)	-
Total transactions with the Owners	15,000	(2,584)	(1)	(634)	(8,748)	3,033	(4,564)	(1,531)
Balance at 31 December 2012	256,818	38	(2,118)	-	165,664	420,402	73,449	493,851

The independent auditors' report is set out on page 3.

The attached notes on pages 8 to 51 form part of these consolidated financial statements.

Nico Middle East Limited and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2013 (continued)

	<i>Attributable to Owners of the Company</i>					<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i> <i>USD '000</i>	<i>Statutory reserve</i> <i>USD '000</i>	<i>Hedging reserve</i> <i>USD '000</i>	<i>Retained earnings</i> <i>USD '000</i>	<i>Total</i> <i>USD '000</i>	<i>USD '000</i>	<i>USD '000</i>
Balance at 1 January 2013	256,818	38	(2,118)	165,664	420,402	73,449	493,851
Profit for the year	-	-	-	25,563	25,563	19,224	44,787
Net changes in fair value of cash flow hedges (refer note 9)	-	-	2,276	-	2,276	-	2,276
Total comprehensive income for the year	-	-	2,276	25,563	27,839	19,224	47,063
Balance at 31 December 2013	256,818	38	158	191,227	448,241	92,673	540,914

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013

1 ACTIVITIES

Nico Middle East Limited ("the Company") is a limited liability company incorporated in Bermuda. The Company is a wholly owned subsidiary of Topaz Energy and Marine Limited ("the Holding Company"), an Offshore company registered in the Jebel Ali Free Zone. The address of the registered office of the Company is P.O. Box 1022, Clarendon House, Church Street - West, Hamilton HM DX, Bermuda. The ultimate holding company is Renaissance Services SAOG, ("the Ultimate Holding Company") a joint stock company incorporated in the Sultanate of Oman.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as "the Group" and individually as "the Group entities") and the Group's interest in jointly controlled entities. The principal activities of the Group are fabrication and maintenance services to the oil and gas industry, ship building and provision of ship repair services, provision of offshore supply vessels and other marine vessels on charter primarily to the oil and gas industry.

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

i) Subsidiaries of Nico Middle East Limited

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2013	2012	
Topaz Energy and DMCC	United Arab Emirates	100%	100%	Ship management/Marine Services
Nico World II Limited	Vanuatu	100%	100%	Charter of marine vessels
Topaz Marine MENA (Formerly Nico World)	Panama	100%	100%	Charter of marine vessels
Nico Far East Pte Limited	Singapore	100%	100%	Charter of marine vessels
TEAM I Limited	Vanuatu	100%	100%	Charter of marine vessels
TEAM II Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM III Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM IV Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM V Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM VI Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM VII Limited [refer note 2 (a)]	St.Vincent	50%	100%	Charter of marine vessels
TEAM VIII Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM IX Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM X Limited [refer note 2 (f)]	St.Vincent	100%	100%	Charter of marine vessels
TEAM XII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XV Limited [refer note 2 (a)]	St. Vincent	50%	100%	Charter of marine vessels

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

i) Subsidiaries of Nico Middle East Limited (continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2013	2012	
TEAM XVI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XVII Limited [refer note 2 (a)]	St. Vincent	50%	100%	Charter of marine vessels
TEAM XVIII Limited [refer note 2 (a)]	St. Vincent	50%	100%	Charter of marine vessels
TEAM XX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVII Limited [refer note 2 (f)]	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIX Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
TEAM XXX Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
TEAM XXXI Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
TEAM XXXII Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
TEAM XXXIII Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
TEAM XXXIV Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
TEAM XXXV Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
BUE Marine Limited	United Kingdom	100%	100%	Charter of marine vessels
Adyard Abu Dhabi LLC ("Adyard")	United Arab Emirates	-	49%	Offshore and onshore projects and fabrication
Topaz BUE Limited	United Arab Emirates	100%	100%	Charter of marine vessels
Topaz Doha Holdings I Limited	St. Vincent	100%	100%	Charter of marine vessels

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

i) Subsidiaries of Nico Middle East Limited (continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2013	2012	
Topaz Doha Holdings II Limited	St. Vincent	100%	100%	Charter of marine vessels
Caspian Fortress Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Pride Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Baki Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Citadel Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Gala Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Server Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Breeze Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Protector Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Power Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Provider Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Islay Limited [refer note 2 (a)]	St. Vincent	50%	-	Charter of marine vessels
Caspian Jura Limited [refer note 2 (a)]	St. Vincent	50%	-	Charter of marine vessels
Topaz Marine Saudi Arabia Limited	Saudi Arabia	95%	50%	Operation services and technical support for ships
Flying Angel Limited	St. Vincent	100%	100%	Commercial financial Lending and borrowing activities.
Nemo Limited	St. Vincent	100%	100%	Commercial financial Lending and borrowing activities.
Topaz Khobar Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khuwair Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khalidiya Limited	Marshall Islands	100%	100%	Charter of marine vessels

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

i) Subsidiaries of Nico Middle East Limited (continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2013	2012	
Topaz Karama Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karzakkan Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khubayb Limited	Marshall Islands	100%	100%	Charter of marine vessels
Ererson Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Heatberg Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Topaz Marine Limited	Bermuda	100%	100%	Charter of marine vessels
Topaz Marine S.A.	Luxembourg	100%	100%	Investment company
Topaz Marine Azerbaijan Limited	United Arab Emirates	100%	100%	Charter of marine vessels
Topaz Astrakhan Limited [refer note 2 (d)]	Marshall Islands	100%	-	Charter of marine vessels
Topaz Riverside PTY Limited [refer note 2 (d)]	Australia	100%	-	Charter of marine vessels

ii) Subsidiaries of BUE Marine Limited

BUE Caspian Limited	Scotland	100%	100%	Vessel management
BUE Kazakhstan Limited	Scotland	100%	100%	Vessel management
BUE Cygnet Limited	Scotland	100%	100%	Vessel management
BUE Bulkera Limited	Scotland	100%	100%	Vessel management
BUE Shipping Limited	Scotland	100%	100%	Vessel management
Roosalka Shipping Limited	Scotland	100%	100%	Vessel management
BUE Aktau LLP	Kazakhstan	100%	100%	Vessel management
BUE Bautino LLP	Kazakhstan	100%	100%	Vessel management
BH PSV Limited	Cayman Islands	-	100%	Dormant company
BH Jura Limited	Cayman Islands	-	100%	Dormant company
BH Standby Limited	Cayman Islands	-	100%	Dormant company
Roosalka Shipping Limited	Cayman Islands	100%	100%	Dormant company

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

ii) Subsidiaries of BUE Marine Limited (continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2013	2012	
BH Bulkera Limited	Cayman Islands	-	100%	Vessel management
BH Islay Limited	Cayman Islands	100%	100%	Dormant company
BUE Kyran Limited	Scotland	100%	100%	Vessel management
BUE Marine Turkmenistan Limited [refer note 2 (f)]	Scotland	100%	100%	Vessel management
XT Shipping Limited	Scotland	100%	100%	Vessel management
BUE Kashagan Limited	Cayman Islands	-	100%	Vessel management
BUE Maritime Services Limited	Scotland	100%	100%	Vessel management
River Till Shipping Limited	Scotland	100%	100%	Vessel management

iii) Subsidiary of Topaz Doha Holdings II Limited

Doha Marine Services WLL	State of Qatar	49%	49%	Vessel management
DMS Marine WLL Formerly name DMS Jaya	State of Qatar	100%	100%	Charter of marine vessels

- a) Caspian Fortress Limited, Caspian Pride Limited, Caspian Baki Limited, Caspian Citadel Limited, Caspian Gala Limited, Caspian Server Limited, Caspian Breeze Limited, Caspian Power Limited, Caspian Protector Limited, Caspian Provider, Team VII, Team XV, Team XVII, Team XVIII, Caspian Islay and Caspian Jura have been considered as subsidiaries as the Group is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities under management agreements with the respective shareholders.
- b) Topaz Marine Limited owns the entire issued share capital of Topaz Marine Azerbaijan Limited.
- c) BUE Caspian Limited owns the entire issued share capital of BUE Maritime Services Limited and BUE Marine Turkmenistan Limited, companies incorporated and registered in Scotland.
- d) Topaz Astrakhan, Topaz Riverside, Team XXIX, Team XXX, Team XXXI, Team XXXII, Team XXXIII, Team XXXIV and Team XXXV were incorporated in the current year for the purposes of charter of marine vessels. The Group owns the entire issued capital of these companies.
- e) The Group owns 49% of the shareholding in Doha Marine Services WLL ("DMS"), an entity incorporated in the State of Qatar. In addition to the above mentioned 49% ownership interest, the Group also has a beneficial interest in a further 51% in DMS through its Holding Company. Accordingly, the Group has the power to govern the financial and operating policies of DMS, and therefore, DMS has been consolidated as a subsidiary in these consolidated financial statements.
- f) During the year, the Group transferred their interest in two jointly owned vessels to TEAM XXVII and TEAM X. Accordingly, 50% of share of these companies are now beneficially owned by the joint venture partner through a joint venture agreement.

3 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of derivative financial instruments.

Functional currency and presentation currency

The consolidated financial statements are presented in United States Dollars (USD) which is the Group's presentation currency. The Group's subsidiaries may have functional currencies other than USD, in which case the respective local currency is the functional currency.

A significant proportion of the Group's assets, liabilities, income and expenses are in USD, AED and Qatari Riyal (QR), to which the AED and QR is currently pegged at approximately AED 3.67 equals to USD 1 and QR 3.46 equals to 1 USD respectively. All values are rounded to the nearest thousand except where otherwise indicated.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and it also requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 33.

The accounting policies set out below, which comply with IFRS have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below, which comply with IFRS have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and each of the entities that it controls together with its interest in jointly controlled entities. Also refer note 2.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

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

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in consolidated statement of comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the control is lost.

Subsequently, it is accounted for as equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

The financial statements of the subsidiaries are prepared for the same reporting year using constant accounting policies.

Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012. The change in accounting policies has no impact on the financial position, comprehensive income and the cash flows of the Group at 1 January 2012 and 31 December 2012. The change in accounting policy has had no impact on earnings per share.

Transactions and balances eliminated on consolidation

Intra-group balances and transactions, and any unrealised gain arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

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

Disposal of subsidiaries

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

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from owners' equity.

Acquisition of non controlling interests is accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Marine charter

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

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

Sale of vessels

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

Dividend

Dividend income is recognised in consolidated income statement on the date that the Group's right to receive payment is established.

Finance income and expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in consolidated income statement. Interest income is recognised in consolidated income statement as it accrues, using the effective interest rate method.

Finance expense comprises interest expense on borrowings and losses on hedging instruments that are recognised in consolidated statement of comprehensive income. All borrowing costs are recognised in consolidated statement of comprehensive income using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of that asset, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in consolidated income statement except for differences arising in retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, to the extent these hedges are effective, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and are presented in the translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in translation reserve related to that foreign operation is reclassified to consolidated statement of comprehensive income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its interest in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of net investment in a foreign operation and are recognised in other comprehensive income, and are presented in translation reserve in equity.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in consolidated income statement except to the extent that it relates to a business combination, or items that are recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of prior years. Current tax payable also includes any tax liability arising from the declaration of dividends.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences reverse, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker (CODM) i.e. the Company's Board of Directors. All operating segments' operating results are reviewed regularly by the CODM to make decisions about the resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

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

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

Earnings per share

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment**

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

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

	<i>Life in years</i>
Buildings	5 to 25
Plant, machinery, furniture, fixtures and office equipment	3 to 15
Marine vessels revalued (from the date of latest revaluation)	10
Marine vessels acquired (including boats)	15 to 30
Expenditure on marine vessel dry docking (included as a component of marine vessels)	3

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is capitalised and ready for use. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off.

Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. All other expenditure is recognised in the consolidated statement of comprehensive income as incurred.

Gains and losses on disposal of an item of property, plant and equipment, other than vessels, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within other income or other expense in the consolidated statement of comprehensive income.

The company disposes off vessels in the normal course of business. Vessels that are held for sale are transferred to inventories at their carrying value. The sale proceeds are accounted for subsequently under revenue.

Capital work in progress

Capital work in progress is stated at cost until the construction is complete. Upon the completion of construction, the cost of such assets together with cost directly attributable to construction, including capitalised borrowing cost are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in 2 to 3 years.

Vessel refurbishment costs

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.

Intangible assets

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree 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 an operating segment determined in accordance with IFRS 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or groups of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount, an impairment loss is recognized in profit or loss. An impairment loss in respect of goodwill is not reversed. Where goodwill forms part of a cash-generating unit (or groups 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized in profit or loss as incurred.

Amortisation is charged on a straight line basis over the estimated useful life of five years, from the date they are available for use. Amortisation method, useful lives and residual values are reviewed at each reporting date.

Financial instruments

Non-derivative financial assets

Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

c) Available-for-sale financial assets

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

Recognition and measurement

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Recognition and measurement (continued)

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

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

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

Non-derivative financial liabilities

All the financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group's non-derivative financial liabilities include loans and borrowings, bank overdrafts, accounts and other payables and balances due to related parties. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments, including hedge accounting

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

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the consolidated income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash flow hedges

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

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

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the consolidated statement of comprehensive income.

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 and indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of borrowers or issuer and economic conditions that correlate with defaults. 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. Those 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 assets with similar risk characteristics.

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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than goodwill, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to that cash generating unit and then to reduce the carrying amounts of the other assets in that cash generating unit on a pro rata basis.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use over its useful life. The recoverable amount of an asset or its cash generating unit is the greater of its value in use over its useful life and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually 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 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.

Inventories

Inventories are measured at lower of cost and net realizable value after making due allowance for any obsolete or slow moving items. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Trade and other receivables

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

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 overdrafts 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.

**Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)**

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

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

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 statement of comprehensive income over the period of the borrowings on an effective interest basis.

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

Employees' end of service benefits

Pursuant to IAS 19 "*Employee benefits*", end of service benefit obligations are measured using the projected unit credit method. The objective of the method is to spread the cost of each employee's benefits over the period that the employee is expected to work for the Group. The allocation of the cost of benefits to each year of service is achieved indirectly by allocating projected benefits to years of service. The cost allocated to each year of service is then the value of the projected benefit allocated to that year.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

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

Leases

Group as a lessee

Leased asset

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. Subsequent to initial recognition, leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

In respect of finance leases, 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 reflected in the consolidated statement of comprehensive income.

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Group as a lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases where the Group has transferred substantially all the risks and rewards of ownership are classified as finance leases. The present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. The lease rentals are allocated between finance income and repayment of principal in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

**Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)**

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends distribution

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

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013

- IAS 1 (amendment), 'Presentation of Financial Statements' effective from 1 July 2013;
- IAS 27 (amendment), 'Separate financial statements' (effective from 1 January 2013).
- IFRS 10 (standard), 'Consolidated financial statements' (effective from 1 January 2013);
- IFRS 11 (standard), 'Joint arrangements' (effective from 1 January 2013); and
- IFRS 12 (standard), 'Disclosures of interests in other entities' (effective from 1 January 2013).

The adoption of the new and amended standards did not have a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not yet early adopted

- IAS 19 (amendment), 'Employee benefits' effective from 1 January 2013);
- IAS 32 (amendment), 'Financial Instruments' effective from 1 January 2014;
- IFRS 7 (amendment), 'Financial Instruments' effective from 1 January 2013; and
- IFRS 13 (standard), 'Fair value measurement' (effective from 1 January 2013).

The Group is in the process of assessing the impact of the new standards and amendments and intends to adopt these no earlier than their respective effective dates. These standards and amendments are not expected to have significant impact on the Group's accounting policies and are expected to result in additional disclosures only.

5 DETERMINATION OF FAIR VALUES

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

Forward exchange contracts and interest rate swaps

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

Forward exchange contracts and interest rate swaps (continued)

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.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

5 DETERMINATION OF FAIR VALUES (continued)

Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6 REVENUE

	2013 USD'000	2012 USD'000
Charter and other revenues from marine vessels	360,954	303,959
Income from mobilization of marine vessels	7,794	4,231
Sale of marine vessels	7,698	1,300
	376,446	309,490

7 OTHER INCOME

	2013 USD'000	2012 USD'000
Unclaimed balances written back	129	44
Gain on disposal of property, plant and equipment	-	234
Miscellaneous income	1,763	309
	1,892	587

Miscellaneous income includes expense claim settlement with a customer, vessel insurance claim settlement and other miscellaneous income.

8 IMPAIRMENT LOSSES

	2013 USD'000	2012 USD'000
Impairment loss on accounts receivable (refer note 15)	4,839	1,735
Impairment loss on property, plant and equipment (refer note 12)	-	2,200
	4,839	3,935

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

9 FINANCE INCOME AND COSTS

	2013 USD'000	2012 USD'000
Recognized in profit or loss		
Interest income	22	95
Exchange gain	293	641
Fair value changes of derivative financial instruments (refer (i) below and note 29)	3,205	2,772
Charge on discontinuance of hedge accounting	(2,116)	(2,508)
Finance income	1,404	1,000
Interest expense	45,034	37,194
Exchange loss	410	206
Finance costs	45,444	37,400
Recognized in other comprehensive income		
Effective portion of changes in the fair value of cash flow hedges (refer note 19)	160	207
Reclassification on discontinuance of hedge accounting (refer note 19)	2,116	2,508
Finance income	2,276	2,715

- (i) This represents gain on fair valuation of interest rate swaps which are not designated as hedging instruments under IAS 39 '*Financial Instruments: Recognition and Measurement*' and therefore recognized in profit or loss.

10 INCOME TAX

Tax expense relates to corporation tax payable on the profits earned by certain Group entities which operate in taxable jurisdictions, as follows:

	2013 USD'000	2012 USD'000
Current taxation		
Foreign tax	14,467	11,969
Corporation tax	1,821	2,531
Total current tax	16,288	14,500
Deferred tax		
Current year	2,160	(2,657)
Prior year	388	703
Total deferred tax	2,548	(1,954)
Tax expense for the year	18,836	12,546
Tax liabilities	14,567	12,313

The Group's consolidated effective tax rate is 30% for 2013 (2012: 27%).

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10 INCOME TAX (continued)

The charge for the period can be reconciled to the profits of the Group attributable to entities registered in the United Kingdom, Oman and Qatar as follows:

	2013	2012
	USD'000	USD'000
Profit before income tax of Group entities operating in taxable jurisdictions	46,950	23,122
Less: Non-taxable profits earned by these entities	(3,428)	(8,391)
Profit subject to tax included in the profit/(loss) for the year	43,522	14,731
Tax at the applicable average UK tax rate of 23.25% (2012: 26%) based on profits generated by Group entities registered in UK	10,119	2,138
Tax effect of expenses that are not deductible in determining taxable profit	134	175
Effect of different tax rates of subsidiaries operating in jurisdictions other than UK	8,195	9,357
Prior year movement on deferred tax	114	703
Effect of change in rate of deferred tax recognition	274	173
Tax expense for the year	18,836	12,546

In some jurisdictions, the tax returns for certain years have not been reviewed by the tax authorities. However, the Group's management is satisfied that adequate provisions have been made for potential tax contingencies.

11 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2013	2012
	USD'000	USD'000
Staff costs (all operations and administration staff costs)	101,127	90,897
Rental-operating leases	34,884	12,120
Depreciation (note 12)	55,686	53,895

Staff costs include personnel costs of all segments.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, machinery, furniture, fixtures and office equipment	Marine vessels	Jetty and land development	Motor vehicles	Capital work in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:							
At 1 January 2012 (restated)	29,608	63,242	1,089,026	5,342	3,950	59,581	1,250,754
Additions	-	971	80,493	-	90	16,701	98,257
Transfers	-	-	44,183	-	-	(44,183)	-
Transfer to related party	(25,848)	(50,566)	(1,204)	(5,342)	(3,062)	(1,098)	(87,120)
Transfer to current assets	-	-	(18,765)	-	-	(2,934)	(21,699)
Disposals / write offs	-	(451)	(9,531)	-	(28)	(41)	(10,051)
At 31 December 2012	3,760	13,196	1,184,202	-	950	28,031	1,230,141
Additions	-	1,286	138,386	-	186	59,121	198,983
Transfers	198	(225)	-	-	31	(4)	-
Transfer from related party	-	-	4,530	-	-	-	4,530
Disposals / write offs	-	(2)	(6,656)	-	(376)	-	(7,034)
At 31 December 2013	3,958	14,255	1,320,462	-	791	87,151	1,426,620
Depreciation:							
At 1 January 2012 (restated)	9,845	37,513	210,234	1,964	3,375	-	262,931
Charge for the year	160	1,844	51,869	-	22	-	53,895
Impairment charge for the year (Note 8)	-	-	2,200	-	-	-	2,200
Transfer to current assets	-	-	(15,783)	-	-	-	(15,783)
Relating to disposals/write offs	-	(445)	(9,012)	-	(27)	-	(9,484)
Transfer to related party	(9,669)	(29,411)	(347)	(1,964)	(2,420)	-	(43,811)
At 31 December 2012	336	9,501	239,161	-	950	-	249,948
Charge for the year	160	1,572	53,860	-	94	-	55,686
Transfer	99	(130)	-	-	31	-	-
Relating to disposals/write offs	-	(3)	(3,861)	-	(376)	-	(4,240)
Amortization of mob costs	-	-	3,411	-	-	-	3,411
At 31 December 2013	595	10,940	292,571	-	699	-	304,805
Net carrying amount							
At 31 December 2013	3,363	3,315	1,027,891	-	92	87,151	1,121,815
At 31 December 2012	3,424	3,695	945,041	-	-	28,031	980,193

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Marine vessels with a net book value of USD 591,815 thousand (2012: USD 855,093 thousand) are pledged against bank loans obtained. Buildings with a net book value of USD Nil (2012: USD 361 thousand) are pledged against bank overdrafts (refer note 20).

Capital work in progress includes costs incurred for construction of marine vessels.

During the year, the Group has capitalized borrowing cost amounting to USD 2,217 thousand (2012: USD Nil). Borrowing costs were capitalised at the weighted average rate of 9.2%.

The depreciation charge has been allocated as follows:

	2013 USD'000	2012 USD'000
Direct costs	54,770	52,919
Administrative expenses	916	976
	55,686	53,895

13 INTANGIBLE ASSETS AND GOODWILL

	2013			2012		
	Goodwill USD'000	Computer software USD'000	Total USD'000	Goodwill USD'000	Computer software USD'000	Total USD'000
At 1 January	26,174	672	26,846	26,848	474	27,322
Additions	-	-	-	-	248	248
Amortization	-	(80)	(80)	-	(50)	(50)
Less: Transfer to related party	-	-	-	(674)	-	(674)
At 31 December	26,174	592	26,766	26,174	672	26,846
Cost (gross carrying amount)	26,174	1,947	28,121	26,848	1,947	28,795
Accumulated amortization	-	(1,355)	(1,355)	-	(1,275)	(1,275)
Less: Transfer to related party	-	-	-	(674)	-	(674)
Net carrying amount	26,174	592	26,766	26,174	672	26,846

Amortization of intangible assets has been allocated to administrative expenses in the consolidated statement of comprehensive income.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

13 INTANGIBLE ASSETS AND GOODWILL (continued)

Goodwill comprise of the following:

- a) goodwill arising from the acquisition of BUE Marine Limited with effect from 1 July 2005.
- b) goodwill arising from the acquisition of Doha Marine Services WLL with effect from 8 May 2008.

Goodwill has been allocated to three individual cash-generating units for impairment testing as follows:

- BUE Marine cash-generating unit; and
- Doha Marine Services cash generating unit.

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

	2013 USD'000	2012 USD'000
BUE Marine Limited Unit	18,383	18,383
Doha Marine Services Unit	7,791	7,791
	26,174	26,174

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.

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value calculations and budgeted EBITDA. These assumptions are as follows:

Discount rate

The discount rate used for value in use calculation in 2013 is 11.32% (2012: 10%).

Terminal value calculations

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

Growth rate

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

Sensitivity to changes in assumptions

Management believes that there is adequate headroom as some of the key assumptions are conservative, particularly the expected growth rate. For the year ended 31 December 2013, there have been no events or changes in circumstances to indicate that the carrying values of goodwill of the above three cash-generating units may be impaired.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

14 INVENTORIES

	2013 USD'000	2012 USD'000
Stores, spares and consumables	4,280	5,613
Marine vessel held for sale	-	2,982
Provision for slow moving inventories	(102)	(550)
	4,178	8,045

Movement in the provision for slow moving inventories were as follows:

At 1 January	550	2,356
Charge for the year	-	436
Write-off during the period	(550)	-
Less: Transfer to related party	102	(2,242)
At 31 December	102	550

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 USD'000	2012 USD'000
Trade accounts receivable	85,219	65,904
Allowance for impairment of receivable	(4,892)	(4,705)
	80,327	61,199
Deferred mobilisation costs	14,901	22,602
Value added tax (VAT) recoverable	5,265	8,485
Prepaid expenses	2,941	2,186
Advance to suppliers	1,944	5,642
Retention receivable	3,028	-
Other receivables	6,573	12,671
	114,979	112,785
Less: Non-current portion of deferred mobilisation costs	(7,546)	(14,464)
	107,433	98,321

At 31 December 2013, trade receivables with a nominal value of USD 4,892 thousand (2012: USD 4,705 thousand) were impaired. Movement in the allowance for impairment of receivables were as follows:

	2013 USD'000	2012 USD'000
At 1 January	4,705	7,317
Charge for the year (refer note 8)	4,839	1,735
Amounts written off	(4,652)	(161)
Less: Transfer to related party	-	(4,186)
At 31 December	4,892	4,705

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2013 USD'000	2012 USD'000
GCC	13,847	13,026
Caspian	56,609	39,892
Others	9,871	8,281
At 31 December	80,327	61,199

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

			Past due but not impaired				
Neither past due nor impaired USD'000			<30 days USD'000	30-60 days USD'000	60-90 days USD'000	90-120 days USD'000	>120 days USD'000
2013	80,327	56,763	6,199	3,639	1,954	1,498	10,274
2012	61,199	46,001	8,932	2,753	1,905	747	861

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 majorities are, therefore, unsecured.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following:

	2013 USD'000	2012 USD'000
Cash at bank		
- Deposits under lien (refer (i) below)	11,000	12,000
- Current accounts	158,188	20,237
	169,188	32,237
Cash in hand	109	705
	169,297	32,942
Bank overdraft	-	(5,846)
Cash and bank balances	169,297	27,096
Less: Deposits under lien	(11,000)	(12,000)
Cash and cash equivalents	158,297	15,096

(i) These represent deposits with a commercial bank held under lien against term loans obtained by the Group (refer note 20).

(ii) Overdraft Facility is secured against pari-passu mortgage over its property, plant and equipment.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

17 SHARE CAPITAL

	2013 USD'000	2012 USD'000
Authorised		
400,000,000 shares of USD 1 each (2012: 400,000,000 shares of USD 1 each)	400,000	400,000
Issued and fully paid		
256,817,094 shares of USD 1 each (2012: 256,817,094 shares of USD 1 each)	256,818	256,818

18 STATUTORY RESERVE

As required by the UAE Commercial Companies Law of 1984 (as amended) and the Articles of Association of subsidiaries incorporated in the UAE, 10% of the profit for the year is required to be transferred to statutory reserve. The subsidiaries may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up capital of the individual entities being consolidated.

19 HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet affected the consolidated income statement.

During the year, in addition to the fair value changes of USD 160 thousand, an amount of USD 2,116 thousand was charged to the income statement due to the discontinuance of hedge accounting.

20 TERM LOANS

	2013 USD'000	2012 USD'000
\$ 350M 8.625% Senior Notes due 2018	338,244	-
Term loan, at LIBOR plus 4.00% p.a. repayable by August 2017	162,595	171,816
Term loan, at LIBOR plus 3.75% p.a. repayable by June 2018	61,526	-
Term loan, at LIBOR plus 3.50% p.a. repayable by June 2020	51,933	-
Term loan, at LIBOR plus 2.65% p.a. repayable by July 2022	18,668	20,558
Term loan at 5.75% p.a. repayable by October 2017	17,261	19,436
Term loan, at LIBOR plus 3.95% p.a. repayable by October 2017	10,359	12,668
Term loan, at LIBOR plus 3.95% p.a. repayable by May 2018	10,303	9,189
Term loan at LIBOR plus 4% p.a. repayable by July 2017	-	51,236
Term loan, at LIBOR plus 2.88% p.a. repayable by July 2017	-	41,463
Term loan at LIBOR + 2.50% p.a. repayable by March 2018	-	30,055
Term loan, at LIBOR plus 4.25% p.a. repayable by November 2016	-	23,916
Term loan, at LIBOR plus 0.35% p.a. repayable by December 2016	-	14,234
Short term loan at SCB treasury plus 3.45% p.a. repayable by February 2013	-	10,000
Term loan, at 5.90% p.a. repayable by September 2015	-	7,282
Term loan, at LIBOR plus 1.10% p.a. repayable by June 2015	-	5,100
Term loan, at LIBOR plus 5% p.a. repayable by September 2016	-	4,981
Term loan, at LIBOR plus 0.75% p.a. repayable by June 2015	-	3,125
Term loan, at EIBOR plus 3.50% p.a. repayable by April 2014	-	2,866
Term loan, at LIBOR plus 0.75% p.a. repayable by December 2014	-	2,813
Term loan, at LIBOR plus 0.75% p.a. repayable by July 2015	-	2,153
Term loan, at LIBOR plus 3.75% p.a. repayable by December 2013	-	943
Term loan, at LIBOR plus 1% p.a. repayable by July 2013	-	915
	670,889	434,749
Current portion	(51,136)	(82,204)
Non-current portion	619,753	352,545

**Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)**

20 TERM LOANS (continued)

- (i) On 4 November 2013 the Group issued USD 350 million aggregate principal amount of 8.625% senior notes (the Senior Notes) and will mature on 1 November 2018. The Senior Notes pay interest semi-annually in arrears on 1 May and 1 November of each year, commencing 1 May 2014. Interest has been accrued from the issue date. On and after 1 November 2016, the Group may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.3125% for the twelve month period beginning 1 November 2016, 102.15625% for the twelve month period beginning 1 November 2017 and 100% beginning 1 October 2018, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. The Senior Notes has been issued by Topaz Marine S.A., a wholly-owned subsidiary of Nico Middle East Ltd., incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Global Exchange Market of the Irish Stock Exchange.
- (ii) In 2012, the Group successfully restructured its existing liabilities amounting to USD 129.4 million under various facilities. As a result of this restructuring, on 16 May 2012, the Group entered into an agreement with a syndicate of banks for financing facility of USD 203 million. The existing liabilities under the target restructure loans were prepaid and replaced by a new term loan amounting to USD 203 million. The new term loan carries interest at the rate of three-months LIBOR plus 4% and is repayable in quarterly instalments till August 2017.
- In December 2012, the Group has signed a bilateral term sheet for facility of USD 125 million. The Group has used this facility to refinance certain term loan facilities and to finance vessel under construction. Through the additional proceeds from the aforementioned restructuring, the Group also prepaid liabilities due under these term loans.
- (iii) The term loans of the Group are denominated either in USD or AED and are secured by a first preferred mortgage over selective assets of the Group, the assignment of marine vessel insurance policies, corporate guarantees, lien on fixed deposits and the assignment of the marine vessel charter lease income. (refer note 13 and 18).

The term and Senior notes are repayable as follows:

	2013	2012
	USD'000	USD'000
Due within one year	51,136	82,204
Due between two to five years	594,680	330,433
Due after five years	25,073	22,112
	670,889	434,749

The borrowing arrangements include undertakings to comply with various covenants including senior interest cover, current ratio, debt to EBITDA ratio, tangible debt to net worth ratio and equity ratio as well as an undertaking to maintain a minimum tangible net worth which shall not be less than US\$ 350 million until 31 December 2013 and thereafter it shall be the greater of US\$ 450 million or 35% of total assets.

At the reporting date, the Group has complied with all financial covenants.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

21 LOAN DUE TO HOLDING COMPANY

	2013 USD'000	2012 USD'000
Term loan, at 7.25% p.a. repayable by October 2013	-	3,184
Term loan at 7% p.a. repayable by November 2019 (refer (i) below)	30,000	49,600
Term loan at 8.50% p.a. repayable by September 2017 (refer (ii) below)	104,000	104,000
Term loan at 6.75% p.a. repayable by January 2014	-	10,000
	134,000	166,784
Current portion	(28,000)	(5,424)
Non-current portion	106,000	161,360

The loan is repayable as follows:

Due within one year	28,000	5,424
Due between two to five years	86,000	161,360
Due after five years	20,000	-
	134,000	166,784

- (i) This represents loan obtained from the Ultimate Holding Company for the purpose of financing acquisition of certain vessels USD 30 million and is subordinated to other indebtedness.
- (ii) This represents a subordinated loan payable in four equal installments of USD 26 million, starting from November 2014 carrying mark up at the rate of 8.5% p.a. compounded on a quarterly basis.

22 EMPLOYEES' END OF SERVICE BENEFITS

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. This is unfunded defined benefit scheme.

Principal actuarial assumptions at the reporting date are as follows:

- 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: 4.5% p.a.
- Salary increases: 3% - 5% p.a.

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

	2013 USD'000	2012 USD'000
Provision as at 1 January	2,593	10,315
Provided during the year	870	1,401
End of service benefits paid	(442)	(408)
Transfer to a related party	51	(8,912)
Other movements	-	197
Provision as at 31 December	3,072	2,593

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

23 ACCOUNTS PAYABLE AND ACCRUALS

	2013 USD'000	2012 USD'000
<i>Current</i>		
Trade accounts payables	44,577	23,462
Accrued expenses	26,065	20,567
Advance from customers	1,156	-
Deferred income	5,095	5,390
Other payables	8,054	4,776
	84,947	54,195
<i>Non-current</i>		
Deferred income	4,190	5,818
	4,190	5,818

24 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2013 Revenue USD'000	2013 Purchases USD'000	2012 Revenue USD'000	2012 Purchases USD'000
Related parties	-	865	-	424

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013 USD'000	2012 USD'000
Short term benefits	2,543	2,095
Employees' end of service benefits	77	135
	2,620	2,230
Due from related parties		
Directors	72	65
Topaz Engineering Ltd	16,943	19,275
Topaz Energy and Marine Plc,UK	83	-
	17,098	19,340
Due to related parties		
Renaissance Services SAOG	750	2,371
Others	295	424
	1,045	2,795

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

25 DEFERRED TAX ASSET

	2013 USD'000	2012 USD'000
At 1 January	4,770	3,095
Credit / (Debit) to profit or loss	(2,666)	1,955
Less: Transfer to related party	-	(280)
At 31 December	2,104	4,770

The deferred tax balance at 31 December 2013 comprises depreciation in excess of capital allowances of USD 1,446 thousand (2012: USD 4,243 thousand) and short term timing differences of USD 382 thousand (2012: USD 527 thousand).

The UK corporation tax rate will reduce from 28% to 20% over a period of 4 years from 2011. The next reductions in the UK corporation tax rate from 23% to 21% and then 20% will be effective from 1 April 2014 and 1 April 2015 respectively. This has reduced the Group's future current tax charge accordingly. As the rate change from 23% to 20% had been substantively enacted before the balance sheet date it has reduced the rate at which deferred tax is recognised. As a result of this change from 23% to 20% the deferred tax asset has reduced by USD 274 thousand (refer note 10).

26 CONTINGENCIES AND CLAIMS

Contingent liabilities

	2013 USD'000	2012 USD'000
Letters of credit	1,011	1,011
Letters of guarantee	16,854	12,735
	17,865	13,746

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

27 NON-CANCELLABLE 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 ten 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 for the initial lease period under non-cancellable operating leases as of 31 December are as follows:

	2013 USD'000	2012 USD'000
Within one year	265,672	258,050
Between one and five years	292,970	372,526
More than five years	63,527	114,668
	622,169	745,244

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

27 NON-CANCELLABLE LEASES (continued)

b) Operating leases - payable

The Group has commitments for future minimum lease payments under non-cancellable operating leases for marine vessels as follows:

	2013 USD'000	2012 USD'000
Within one year	48,079	36,422
Between one and five years	76,543	103,434
More than five years	10,803	26,854
	135,425	166,710

During the year an amount of USD 34,884 thousand (2012: USD 12,120 thousand) was recognized as an expense in profit or loss in respect of bareboat charter of marine vessels obtained on operating lease.

28 COMMITMENTS

	2013 USD'000	2012 USD'000
Capital expenditure commitment:		
Purchase of marine vessels	134,592	-
	134,592	-

29 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analyzed 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.

	Negative fair value USD'000	Notional amount total USD'000	<u>Notional amounts by term to maturity</u>		
			Within 1 year USD'000	Between 1 year to 5 years USD'000	Over 5 years USD'000
31 December 2013					
Interest rate swaps	2,613	147,822	29,677	118,145	-

31 December 2012

Interest rate swaps	5,977	142,516	101,056	41,460	-
---------------------	-------	---------	---------	--------	---

The term loan facilities of the Group bear interest at US LIBOR plus applicable margins (refer note 23). In accordance with the financing documents, the Group has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") as follows:

- USD Nil (2012: USD 40,000 thousands) at a fixed interest rate of 3.95% (2012: 3.95%) per annum, excluding margin;
- USD 38,360 thousands (2012: Nil) at a fixed margin of 2.5% (2012: 2.5%) per annum, excluding margin;
- USD Nil (2012: USD 50,000 thousands) at the rate of 2% (2012: 2%) per annum, excluding margin; and
- An amount of USD 68,002 thousands (2012: USD 46,500 thousands) at the rate of 0.83% (2012: 1.97%) per annum, excluding margin.

**Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)**

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

During the year, the Group prepaid the term loan facilities relating to the following IRS:

- An amount of USD 4,687 thousands (2012: USD 5,930 thousands) at the rate of 3.25% (2012: 3.25%) per annum, excluding margin; and
- An amount of USD 36,772 thousands (2012: USD 46,500 thousands) at the rate of 1.97% (2012: 1.97%) per annum, excluding margin.

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

Based on the interest rates gap, over the life of the IRS, the indicative losses were assessed at approximately USD 2,613 thousands (2012: USD 5,977 thousands) by the counter parties to IRS. Consequently, in order to comply with International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* fair value of the hedge instruments' indicative losses in the amount of approximately USD 2,613 thousands (2012: USD 5,977 thousands) has been recorded under current and non-current liabilities and the impact for the year amounting to USD 1,089 thousands (2012: USD 264 thousands) has been recorded under finance income (refer note 10) and USD(2,276) thousands (2012: USD (2,715) thousands) has been recognised in the hedging reserve.

30 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- 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 Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Senior Group management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

The Group's risk management policies (both formal and informal) 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 Group 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 Group 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.

**Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)**

30 RISK MANAGEMENT (continued)

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, accounts payables and accruals and balances due to holding company and other related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts and other receivables, bank balance and cash, long-term receivables and due from related parties which arise directly from its operations.

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

It is, and has been throughout the current year and previous year the Group's policy that no trading in derivatives shall be undertaken.

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 Group's receivable from customers, retention and other receivables, due from related parties, long-term receivables and balances with bank.

Trade accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Approximately 19% (2012: 17%) of the Group's revenue is attributable to sales transactions with a single customer. The Group's ten largest customers account for 66% (2012: 56%) of the outstanding trade accounts receivable as at 31 December 2013. Geographically the credit risk is significantly concentrated in the MENA region and the Caspian region

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the senior Group management; these limits are reviewed periodically.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade accounts and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Balances with banks

The Group limits its exposure to credit risk by only placing balances with reputable financial institutions. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group's policy is to facilitate bank guarantees only on behalf of wholly-owned subsidiaries and the Group entities over which the Group has financial and management control or joint control.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

30 RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk

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

	2013 USD'000	2012 USD'000
Trade accounts receivable-Net	80,327	61,199
Other receivables and accrued income	18,726	13,369
Due from related parties	17,098	19,340
Cash at bank	169,188	32,237
	285,339	126,145

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. 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 bank facilities are available. The Group's credit terms require the amounts to be paid within 90 days from the date of invoice. Accounts payable are also normally settled within 90 days of the date of purchase.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of 31 December 2013, the Group had the following undrawn facilities of USD 20.4 million and an bank overdraft facility of USD 8 million.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013, based on contractual undiscounted payments.

		Contractual cash flows			
	Carrying amount USD'000	Total USD'000	Due within 1 year USD'000	Due in 1 to 5 years USD'000	Due after 5 years USD'000
At 31 December 2013					
Non derivative financial liabilities					
Accounts payables and accruals	78,696	(78,696)	(78,696)	-	-
Term loans	670,889	(892,261)	(95,298)	(767,256)	(29,707)
Loan due to holding company	134,000	(164,928)	(38,610)	(105,152)	(21,166)
Due to related parties	963	(963)	(963)	-	-
Total	884,548	(1,136,848)	(213,567)	(872,408)	(50,873)

At 31 December 2012

Non derivative financial liabilities

Accounts payables and accruals	48,805	(48,805)	(48,805)	-	-
Term loans	434,749	(523,300)	(102,052)	(392,089)	(29,159)
Loan due to holding company	166,784	(211,524)	(18,650)	(190,664)	(2,210)
Due to related parties	2,795	(2,795)	(2,795)	-	-
Bank overdraft	5,846	(5,846)	(5,846)	-	-
Total	658,979	(792,270)	(178,148)	(582,753)	(31,369)

Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

30 RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group used floating-to-fixed interest rate swaps, and avails opportunities of restructuring of existing financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors of the Group. Generally the Group seeks to apply hedge accounting in order to manage volatility in consolidated income statement.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest rate exposure through using a mix of fixed and variable interest rate debts. The Group's policy is to maintain at least 40% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2013, after taking into account the effect of interest rate swaps, approximately 79 % of the Group's borrowings are at a fixed rate of interest (2012: 67%) of which 8% (2012:8%) are linked to hedging instruments designated as such in accordance with IFRS.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2013	2012
	USD'000	USD'000
Fixed rate instruments		
Financial assets	11,000	12,000
Financial liabilities	(489,504)	(193,502)
Variable rate instruments		
Financial liabilities	(315,385)	(408,031)
	(315,385)	(408,031)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

30 RISK MANAGEMENT (continued)

Interest rate risk (continued)

Cash flow sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		Equity	
	100 bp increase USD'000	100 bp decrease USD'000	100 bp increase USD'000	100 bp Decrease USD'000
31 December 2013				
Variable rate instruments	<u>(3,153)</u>	<u>3,153</u>	<u>(3,153)</u>	<u>3,153</u>
31 December 2012				
Variable rate instruments	<u>(4,080)</u>	<u>4,080</u>	<u>(4,080)</u>	<u>4,080</u>

Currency risk

The Group is exposed to currency risk on sales and purchases denominated in currencies other than AED which is the functional currency of the Group, USD to which AED is pegged and other currencies which are pegged to USD. At any point in time the Group hedges 100% of its estimated foreign currency exposure in respect of its forecast capital commitments. The Group uses forward currency contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	EUR	AZN	KZT	RUB	GBP	NOK	JPY	SGD
31 December 2013								
Bank balances	53	49	17,392	1,117	68	-	-	11
Accounts payables	(652)	(1,542)	(66)	-	(341)	(2,335)	(227)	-
Net statement of financial position exposure	<u>(599)</u>	<u>(1,493)</u>	<u>17,326</u>	<u>1,117</u>	<u>(273)</u>	<u>(2,335)</u>		<u>11</u>
31 December 2012								
Bank balances	18	61	6,447	-	-	-	11	-
Accounts payables	(394)	(403)	(7,430)	-	(153)	(745)	(666)	(61)
Net statement of financial position exposure	<u>(376)</u>	<u>(342)</u>	<u>(983)</u>	<u>-</u>	<u>(153)</u>	<u>(745)</u>	<u>(655)</u>	<u>(61)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
Euro (EUR)	0.742	0.764	0.727	0.756
Azerbaijan New Manat (AZN)	0.784	0.785	0.784	0.784
Kazakhstan Tenge (KZT)	153.52	147.938	156.740	150.300
Great Britain Pound (GBP)	.611	0.632	0.604	0.618
Norwegian Kroner (NOK)	5.801	5.788	6.019	5.582
Japanesse Yen (JPY)	95.56	81.64	105.23	85.88
Singapore dollars (SGD)	1.243	1.260	1.263	1.223

Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

30 RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis

A strengthening of the USD, as indicated below, against the Euro, Azerbaijan New Manat, Kazakhstan Tenge, Great Britain Pound, Norwegian Kroner, Japanese Yen and Singapore Dollars at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	<i>Effect on profit before tax</i>	
	Strengthening by 5%	Weakening by 5%
	USD'000	USD'000
2013		
Euro (EUR)	45	(45)
Azerbaijan New Manat (AZN)	98	(98)
Kazakhstan Tenge (KZT)	-	-
Great Britain Pound (GBP)	28	(28)
Norwegian Kroner (NOK)	19	(19)
Singapore dollars (SGD)	-	-

	<i>Effect on profit before tax</i>	
	Strengthening by 5%	Weakening by 5%
	USD'000	USD'000
2012		
Euro (EUR)	26	(26)
Azerbaijan New Manat (AZN)	26	(26)
Kazakhstan Tenge (KZT)	2	-
Great Britain Pound (GBP)	12	(12)
Norwegian Kroner (NOK)	7	(7)
Singapore dollars (SGD)	2	(2)

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

30 RISK MANAGEMENT (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as "Result from operating activities" divided by "Total shareholders' equity, excluding non-controlling interests". The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's capital employed consists mainly of capital, legal reserve and retained earnings. Management believes that the current level of capital is sufficient to sustain the profitability of the Group's continuing operations and to safeguard its ability to continue as a going concern. The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2013	2012
	USD'000	USD'000
Interest bearing loans and borrowings	804,889	601,533
Bank overdraft	-	5,846
Less: cash and short term deposits	(169,297)	(32,942)
Net debt	635,592	574,437
Equity	540,913	493,851
Add: cash flow hedge reserve included in equity	(158)	2,118
Adjusted equity	540,755	495,969
Capital and net debt	1,176,347	1,070,406
Gearing ratio	54.03%	53.66%

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)****31 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities.

The fair value of derivatives is set out in note 34. 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 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2013				
Derivative financial liabilities	-	2,613	-	2,613
31 December 2012				
Derivative financial liabilities	-	5,977	-	5,977

32 OPERATING SEGMENTS

Management has determined the operating segments based on the information reviewed by chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group operates under three primary geographical segments. The geographic segments are organised and managed separately according to the nature of the services provided, with each segment representing a strategic operating unit that offers different services.

Geographic segments

For management purposes, the Group is currently organised into three major geographic segments. These segments are the basis on which the Group reports its primary segmental information. These are:

- MENA
- Global
- Caspian

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

The following table presents segmental information about these businesses:

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

32 OPERATING SEGMENTS (continued)

OPERATING SEGMENT – 2013

	Caspian USD'000	MENA USD'000	GLOBAL USD'000	Corporate USD'000	Elimination USD'000	TOTAL USD'000
Revenue	227,640	93,633	59,298	-	(4,125)	376,446
Direct costs	(130,026)	(57,115)	(45,307)	(1,467)	3,400	(230,515)
Gross profit (loss)/ segment results	97,614	36,518	13,991	(1,467)	(725)	145,931
Administrative expenses	(14,625)	(8,702)	(3,419)	(8,575)	-	(35,321)
Impairment loss on account receivable	-	(1,234)	(3,605)	-	-	(4,839)
Other income	305	567	1,020	-	-	1,892
Finance cost, net	(19,246)	(9,773)	(7,192)	(7,829)	-	(44,040)
Income Tax expense	(15,251)	(2,510)	(1,075)	-	-	(18,836)
Profit/(Loss) for the year	48,797	14,866	(280)	(17,871)	(725)	44,787
Depreciation and ammortisation	29,810	16,076	9,380	338	160	55,763
Assets	770,427	355,333	189,017	123,601	17,545	1,455,923
Liabilities	230,221	146,372	54,816	486,197	(2,608)	914,998

OPERATING SEGMENT - 2012

Revenue	170,847	87,774	52,147	-	(1,278)	309,490
Direct costs	(101,364)	(53,316)	(38,686)	-	628	(192,738)
Gross profit/ segment results	69,483	34,458	13,461	-	(650)	116,752
Administrative expenses	(14,566)	(8,476)	(3,850)	(3,121)	-	(30,013)
Impairment loss on account receivable	(411)	(1,324)	-	-	-	(1,735)
Impairment loss on property, plant and equipment	-	(2,200)	-	-	-	(2,200)
Other income	-	587	-	-	-	587
Finance cost, net	(14,686)	(7,502)	(5,522)	(8,690)	-	(36,400)
Income Tax expense	(8,234)	(3,019)	(1,293)	-	-	(12,546)
Profit/(Loss) for the year	31,586	12,524	2,796	(11,811)	(650)	34,445
Depreciation and ammortisation	31,123	13,922	7,672	360	868	53,945
Assets	626,955	326,049	163,200	28,342	40,375	1,184,921
Liabilities	265,953	142,847	95,231	187,039	-	691,070

33 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

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 carrying amount of goodwill at 31 December 2013 was USD 26,174 thousand (2012: USD 26,174 thousand). Also refer note 13.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2013 was USD 1,028,289 thousand (2012: USD 945,041 thousand). Also refer note 12.

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 is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were USD 85,219 thousand (2012: USD 65,904 thousand) and the provision for doubtful debts was USD 4,892 thousand (2012: USD 4,705 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be impaired will be recognised in consolidated income statement. Also refer note 17.

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 is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices, consumption trend and usage.

At the reporting date, gross inventories were USD 4,280 thousand (2012: USD 8,595 thousand) with provisions for old and obsolete inventories of USD 102 thousand (2012: USD 550 thousand). Any difference between the amounts actually realised in future periods and the amounts provided will be recognised in consolidated income statement. Also refer note 15.

Useful lives of property, plant and equipment

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

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 USD 2,613 thousand (2012: USD 5,977 thousand).

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).

Leases

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2013
(continued)

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Current and non-current classification of bank borrowings

The Group's management has exercised significant judgment during the year in determining the current and non-current classification of bank borrowings. The classification is based on the repayment terms agreed with the bank, assessing the events and circumstances which can render a loan becoming payable on demand and the status of any negotiations and communications with the creditor banks in this regard.

The Group's management has further exercised judgment in determining the current and non-current classification of amounts due from related parties at the reporting date. In determining the current and non-current classification, the Group's management makes judgment based on the estimated future cash flows in respect of settlement of the outstanding balance between the parties involved and the intention of management of the time frame within which these balances would be repaid.

34 RECLASSIFICATION

Comparative figures as at 31 December 2012 relating to long term receivables amounting to USD 7.4 million has been reclassified as current.

35 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below are the summarised combined financial information of the subsidiaries that has non-controlling interests. The non-controlling interest for all these subsidiaries is the same party.

Summarised statement of financial position

	2013	2012
	USD'000	USD'000
Current		
Assets	12,568	11,161
Liabilities	153,608	38,705
Total current net assets	(141,040)	(27,544)
Non-current		
Assets	458,604	284,944
Liabilities	132,133	110,500
Total non-current net assets	326,471	174,444
Net assets	185,431	146,900
Summarised statement of comprehensive income		
Revenue	72,926	44,919
Profit before income tax	38,823	23,288
Income tax expense/benefit	(290)	-
Profit for the year from continuing operations	38,533	23,288
Profit for the year from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	38,533	23,288
Total comprehensive income allocated to non-controlling interests	19,224	11,644
Dividends paid to non-controlling interests	-	3,500

Nico Middle East Limited and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

35 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Summarised statement of cash flows

	2013 USD'000
<i>Cash flows from operating activities</i>	
Cash generated from operations	184,839
Income taxes paid	(290)
Interest paid	(12,283)
End of service benefits paid	-
Net cash generated from operating activities	172,266
Net cash used in investing activities	(187,096)
Net cash used in financing activities	16,783
<i>Net (decrease)/increase in cash and cash equivalents</i>	1,953
Cash and cash equivalents at 1 January	10,314
Cash and cash equivalents at 31 December	12,267

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