



AT THE FOREFRONT OF A CHANGING INDUSTRY

Annual Report & Accounts 2017



We provide a range of marine logistics solutions to offshore oil and gas producers and contractors, making our services and our skilled craftsmen and personnel essential to the future of the energy industry.

Sparked by the 'oil price crisis', the offshore vessel (OSV) market has experienced extremely disruptive conditions, which have significantly changed industry dynamics and customer needs. There are signs of recovery but our industry is still challenged.

At Topaz, we left nothing to chance. From the outset of the downturn, we took action: making tough, sustainable cost savings; working with our clients and partners to offer innovative new services; adapting to rapidly-changing market demands; and investing in our people and technology. During the harshest market conditions ever faced by our Group, we have remained resilient, innovative and at the forefront of a changing industry.

We are emerging from the crisis transformed. Today, we are more streamlined, more cost-efficient and in an optimal position to be the champion provider of marine and logistics solutions to the global offshore industry, with profitability in the top quartile.

We are ready for the opportunities ahead.



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NEW BUSINESS WINS

During harsh market conditions we secured six significant long-term contracts worth US\$170m – an additional boost to our industry-leading backlog, valued at US\$1.5b.

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AN INDUSTRY FIRST

Our new division – Topaz Solutions – launched the industry's first Module Carrying Vessels (MCVs) in 2017. The first two made their maiden voyage in 2017, ahead of schedule. All 20 MCVs become operational in 2018.

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COST SAVINGS

We have reset our 'cost culture' and continue to focus on operational efficiencies. We reduced costs by US\$20m in 2017, contributing to total cost savings of US\$68m since 2014.

> Pages 16 and 17

CHAIRMAN'S STATEMENT

We see 2018 as the year the Group stabilises and, quarter by quarter, improves its performance, with profit growth fuelled by our major contract with Tengizchevroil. We are in a position to start rebuilding the value that we have lost during the oil price crisis by pursuing new growth opportunities.



Samir J. Fancy, Chairman

CHALLENGING CONDITIONS

The sharp decline in the oil price mid-2014 led to three consecutive years of unprecedented pressure on performance for the oil industry, the OSV sector and our Group. Last year we warned our stakeholders that these pressures were likely to persist; and they did.

AT THE FOREFRONT OF A CHANGING INDUSTRY

Our priority, as stated, was to achieve financial security, by focusing on cash, strengthening key relationships and mobilising our major growth project with Tengizchevroil (TCO).

Our actions served us well. In 2017, we met all financial and operational obligations, won contracts across our divisions and launched and managed a new vessel category for the Tengiz project, ahead of schedule.

We are at the forefront of a changing industry and actively developing more innovative solutions and services for our clients. These will differentiate us further in our marketplace, strengthening our position as a long-term marine logistics service partner.

PRESSURE ON PERFORMANCE

Our financial performance, however, is still falling short, with revenue and EBITDA decreasing, and net profit impacted by material one-off items.

Impairment charges

The global OSV fleet has been devalued by billions of dollars, with around one third in layup and much tonnage destined to remain out of service. In 2017, we took a material impairment charge of US\$65.2m in relation to our own fleet valuation, which was the third in a row. However, we believe that better market conditions will improve our future fleet valuation and individual vessel revenue generation capacity.

Refinancing of Senior Notes

In July 2017, we completed the issuance of US\$375m Senior Notes, maturing in 2022, incurring a one-off cost of US\$19.1m. The transaction was received positively by international investors and our credit rating was reaffirmed – testament to our robust business model in a volatile market.

INDUSTRY CONSOLIDATION

During the recent industry turmoil, we have turned down a range of M&A approaches. Faced with a deteriorating market, the Board and the executive management team were unwilling to take on additional risk.

As the market reaches a turning point, we will seek accretive opportunities for shareholders, from a position of relative strength.

OUTLOOK

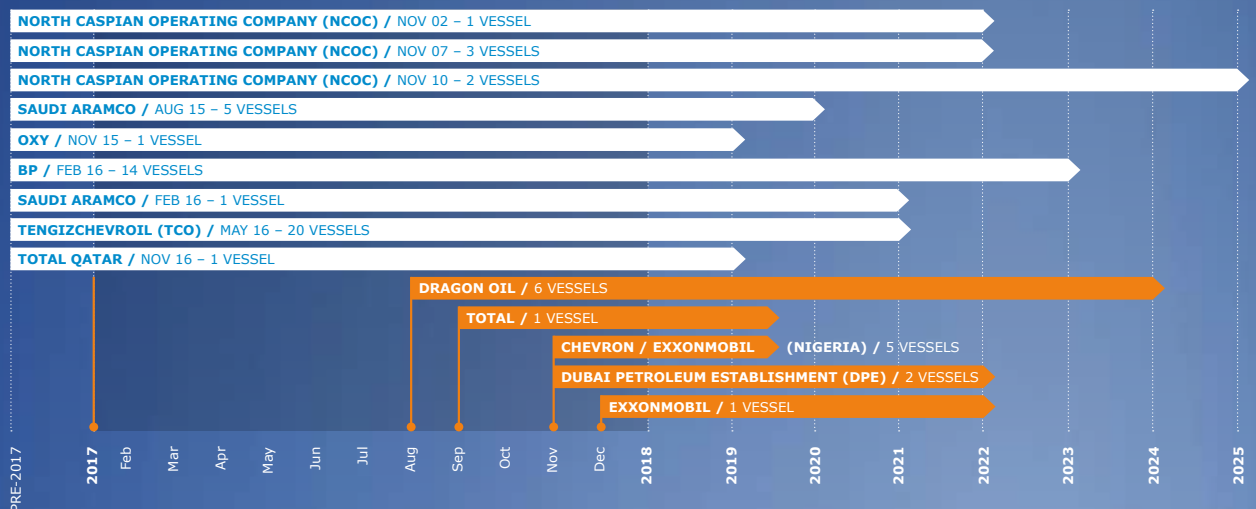
Most market commentators predict a more stable oil price period and OSV market conditions are improving as we move into 2018. Nonetheless, they remain challenging, right across our business.

In summary, we see 2018 as the year the Group stabilises and, quarter by quarter, improves its performance, with profit growth fuelled by our major contract with TCO. We aim to start rebuilding the value that we have lost and to pursue new growth opportunities. Topaz and its shareholders believe that it is the right time to consider the Company's strategic options in relation to growth and capital enhancement. All options are being considered, including inorganic and capital market transactions such as an offering of securities in the Company. At this stage, no decision to proceed with a transaction has been taken, and any transaction in the future would be subject to meeting the Company's strategic criteria as well as market conditions at the time.

Samir J. Fancy, Chairman

OIL AND GAS INDUSTRY INVESTMENT STALLED. AT TOPAZ, WE SECURED A RECORD PIPELINE OF PROJECTS.

INDUSTRY-LEADING REVENUE BACKLOG



LONG-TERM OUTLOOK

A sharp fall in industry investment in exploration, oil field development and maintenance projects – exacerbated by vessel overbuilding – created vessel oversupply in the OSV marketplace. With too many vessels chasing less business, this resulted in low vessel utilisation rates and pressure from low-margin operators. We have not been immune to these competitive forces in some of our regional markets. However, our aim has always been to focus on longer contract tenors with our clients in the less volatile production and development phases of the energy industry. This has given us relative financial protection and stable income streams, reassuring clients to trust us with their future business.

BLUE-CHIP OPERATOR OF CHOICE

In the most challenging of operating conditions, we were awarded some of the industry's most significant contracts by our existing clients – blue-chip operators, including international oil companies (IOCs), national oil companies (NOCs) and offshore contractors. Significant business wins in Turkmenistan, Azerbaijan, Saudi Arabia, Dubai and Nigeria are testament to the strength of our global reputation and client relationships, and we are now a globally-approved supplier to six IOCs and four tier-1 EPCI contractors. Our industry-leading backlog of US\$1.5b gives us good revenue visibility, which will provide a short-term financial uplift even under current market conditions, and the opportunity and resources to extend services with our clients.

Globally approved by:



REVENUE BACKLOG (US\$b)

1.5

WHAT SETS US APART

Industry-leading backlog with longer-term contracting model



TOPAZ IN NUMBERS

REVENUE (US\$m)

KPI

244

2016/ 282

EBITDA (US\$m)

KPI

118

2016/ 145

EBITDA MARGIN

KPI

48%

2016/ 51%

NUMBER OF EMPLOYEES

1,910

2016/ 1,826

TOTAL FLEET SIZE¹

121

2016/ 120

CONTRACT BACKLOG (US\$b)

1.51

2016/ 1.48

TOTAL REVENUE FROM IOCs/
NOCs

68%

2016/ 80%

LOST TIME INJURY FREQUENCY

KPI

0

2016/ 0.20

NET BOOK VALUE (US\$m)

989

2016/ 1,062

Group KPIs, which are used to measure our strategic progress, are identified in this report by this symbol **KPI**

¹ Our total fleet comprises 121 vessels. This number includes 22 vessels under construction as of 31 December 2017, four of which were MCVs which had been delivered, but remained on standby rate/were not yet operational



SAFETY FIRST

Safety is our first priority. In 2017, we reported zero Lost Time Injuries and 96% of our employees engaged in our annual safety culture survey – our highest ever participation rate.

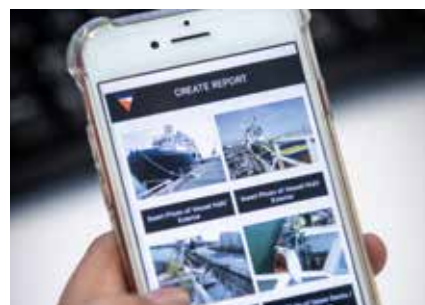
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A MODERN AND VERSATILE FLEET

Through our expertise, craftsman-like approach, versatile fleet and strong client-supplier network, we are able to propose and manage significant, bespoke marine logistics projects on behalf of our customers.

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GOING DIGITAL

Our investment in on-board technology empowers our onshore and offshore teams to make quicker decisions based on 'real-time' data and to communicate these more efficiently with our clients.

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WHERE WE OPERATE

TOPAZ MARINE CASPIAN

This is our largest division by revenue, EBITDA, vessel and employee count. With over 20 years of operating experience in the region, we are the market leader and supplier of choice for blue-chip companies.

65 vessels, 66% of existing fleet

Revenue US\$187m, 77% of total revenue

EBITDA US\$119m

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TOPAZ MARINE MENA/SUBSEA

These separate divisions are both managed from our head office in Dubai, while our fleet operates in the Arabian Gulf, Mediterranean and Red Sea. Our three subsea vessels provide a diverse range of services globally. In MENA we are the fifth largest OSV operator by AHTSVs.

25 vessels, 25% of existing fleet

Revenue US\$48m, 20% of total revenue

EBITDA US\$9m

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"The market dynamics of our regions vary significantly. Our reporting structure ensures that our customers benefit from increasing levels of timely, autonomous decision-making from our local management teams and crews."

Martin Helweg
Chief Operating Officer

TOPAZ MARINE AFRICA

We believe that the West Africa market will provide us with a key opportunity for future growth. We are currently experiencing full fleet utilisation in Nigeria in support of maintenance projects for major clients. Our development of local office personnel and crew in Nigeria and Angola positions us well for the market upturn.

7 vessels, 9% of existing fleet

Revenue US\$9m, 4% of total revenue

EBITDA US\$(5)m

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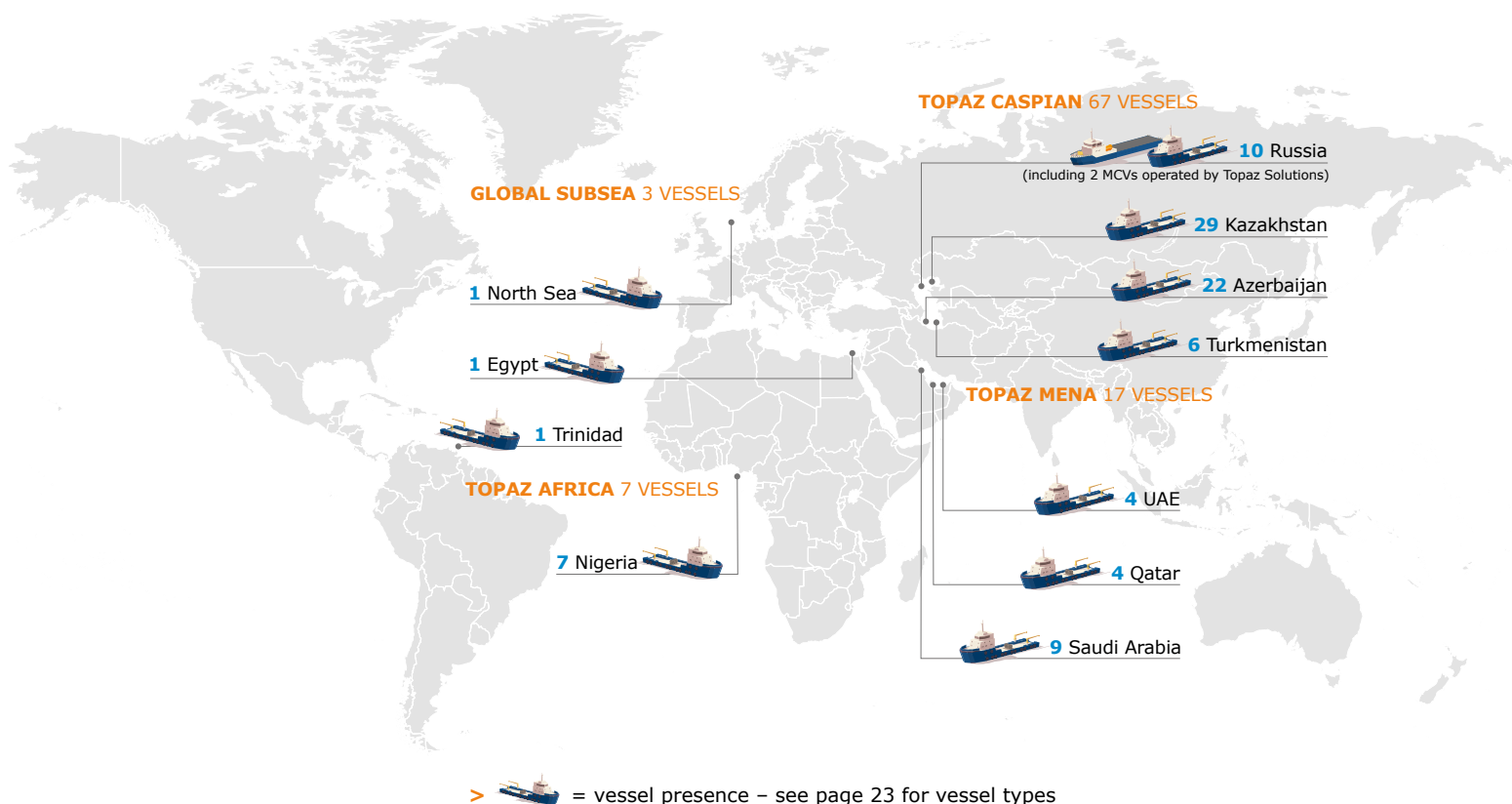
TOPAZ SOLUTIONS

Topaz Solutions manages all activities relating to the Tengizchevroil Future Growth Project (TCO-FGP), where our principal focus is to transport modular units, via specially-designed vessels, to the Tengiz oil field in Kazakhstan. We plan to grow this division significantly by developing additional marine logistics solutions for existing and new clients.

20 vessels on major long-term contract (17 owned and 3 managed)

44 employees

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Note: December 2017. Overview does not include five laid-up vessels, 22 newbuilds not yet delivered/operational (18 MCVs, two subsea vessels and 2 AHTSVs)

BUSINESS MODEL

The essential range of services and expertise we offer makes us integral to the future of the global offshore energy industry.

WHAT WE DO AND HOW WE CREATE VALUE

The OSV industry is an indispensable partner to the global energy industry. Topaz owns and operates offshore support vessels, which are contracted out to clients to provide a wide range of services and innovative marine logistics solutions.

We create value by providing more efficient and cost-effective services than can be carried out by our clients themselves, or our competitors. We use our relationships and expertise to bring together our clients, suppliers and shipbuilders to identify, develop and deliver turnkey solutions. Our business activities benefit a wide set of stakeholders, including customers, employees, governments, suppliers, communities and investors.

OUR KEY ASSETS

Our service offering encompasses: 30 years of marine heritage; a young, technically-advanced and versatile fleet, totalling 121 vessels that is well suited to operate in our dynamic marketplace; loyal, high-quality crews recognised for their sense of craftsmanship; and strong health, safety and environmental (HSE) performance. Combined with our focus on overall operational excellence and financial discipline, our key assets have

helped us to build a leading market share in the important Caspian region, strong market positions in MENA and West Africa, and the confidence and resources to target emerging growth opportunities, including in the energy logistics segment.

OUR KEY RELATIONSHIPS

Our strong operational track record, financial stability and low counterparty risk have earned us long-standing relationships with many of the world's largest international and national oil and gas companies. Our average length of service with our top six customers is six years (including extensions). Contract lengths vary by region, but usually range from one to seven years (including extensions). We have a strong record of contract renewal and limited cancellations, particularly in our core Caspian market, where demobilisation costs are high. This gives us good visibility of future revenue.

We have established a range of key, preferred suppliers in areas critical to our ongoing business, such as shipbuilding, technology and training services. We also have strong employee loyalty, with a low attrition rate, despite the necessary cutbacks to stay competitive during the oil and gas industry downturn.

MOVING UP THE VALUE CHAIN

We have historically focused on the development and production phases of the energy lifecycle, primarily in shallow water and, geographically, in the Caspian region. Our activities have been driven by more predictable operational expenditure (OPEX) and by the capital expenditure (CAPEX) of sanctioned development projects, rather than more discretionary and oil price-related, early-cycle CAPEX projects. Our targeted role in these phases of the energy value chain has been instrumental in our ability not just to survive, but also to win business during the global oil and gas downturn.

By working more closely with our customers during the toughest market conditions in our history, we have been able to use our expertise and experience and to leverage our innovative spirit and sense of craftsmanship to propose and deliver new, smarter solutions. These developments are moving us up the value chain and supporting our strategic diversification into more segments of the energy industry and related logistics markets.

WHAT SETS US APART

Long-standing fortress position in important Caspian basin

51%

market share¹

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Industry-leading backlog with longer-term contracting model

>67%

increase in backlog 2012-2017

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Positioned to capture more of the energy logistics market

US\$9.6b

addressable OSV market value²; logistics market significantly higher

> Page 9

Resilient financial track record

48%

EBITDA margin 2017

> Page 25

Modern and versatile fleet

US\$989m

net book value

> Page 33

Proven operational performance

US\$68m

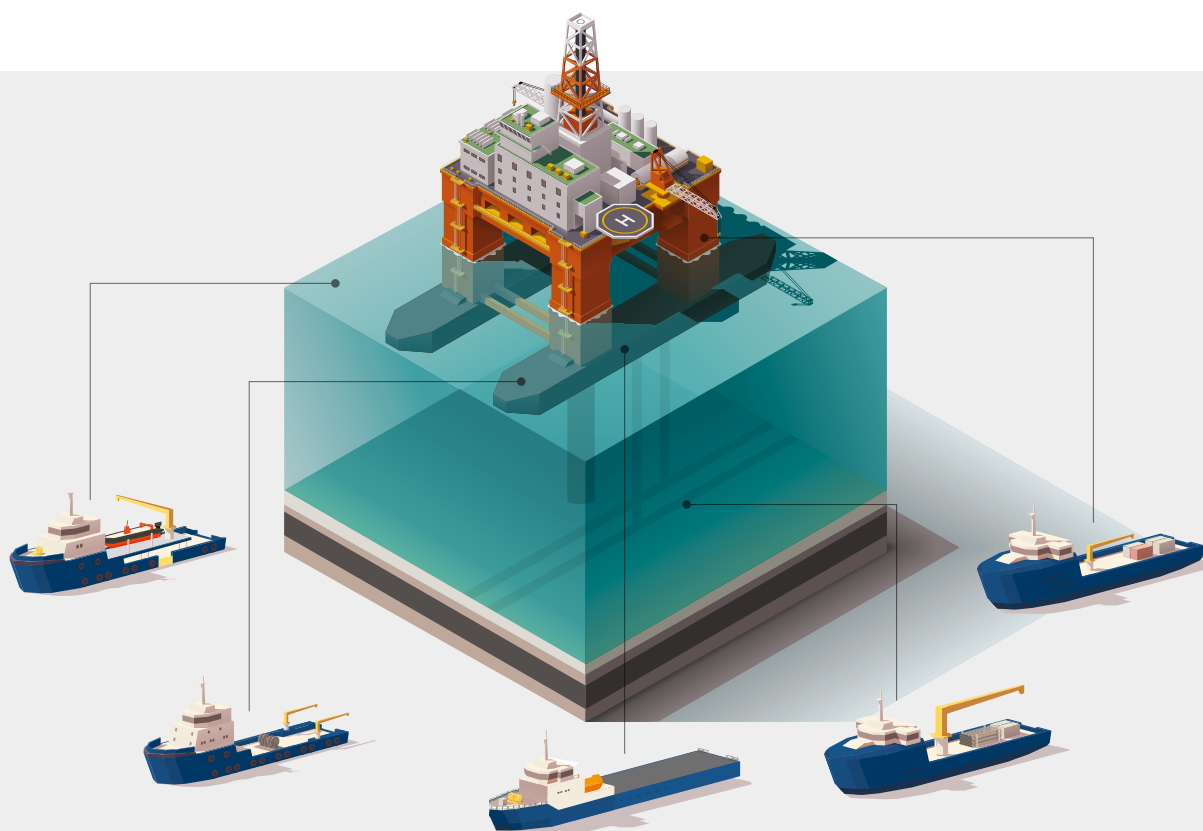
cost savings (2014-2017)

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¹ Market share based on the number of PSVs >3,000 DWT and AHTSVs >5,000 BHP

² Westwood Energy Group

BUSINESS MODEL



TYPICAL INDUSTRY ACTIVITY: OIL FIELD LIFECYCLE

TYPICAL PHASES	DISCOVER Formation evaluation	ACCESS Exploration and appraisal	DEVELOP Engineering, construction and wells	PRODUCE Life-of-field	REMOVE Decommissioning
	CAPEX-LED ACTIVITY		OPEX-LED ACTIVITY		CAPEX-LED ACTIVITY
TYPICAL VESSELS	AHTSVs, MPSVs, seismic survey vessels and crew boats		Broad spectrum, including AHTSVs, MCVs, MPSVs, ERRVs, LCVs, crew boats and specialised barges		AHTSVs, PSVs, MPSVs, LCVs and crew boats
INDUSTRY DRIVERS	Typically, more sensitive to prevailing oil and gas prices as CAPEX-driven		Typically, less sensitive to prevailing oil and gas prices once projects are sanctioned		Activities have historically been deferred but are now in demand owing to changing market conditions
TOPAZ FOCUS	Low but potentially increasing		100% of contracted revenues (year end 2017)		Low but increasing

KEY

AHTSV: Anchor Handling Tug Supply Vessel **ERRV:** Emergency Response and Recovery Vessel **LCV:** Light Construction Vessel **MCV:** Module Carrying Vessel
MPSV: Multi-Purpose Support Vessel **PSV:** Platform Supply Vessel

> For more information about vessel types, see page 23

OUR MARKETPLACE

Significant boost to oil and gas industry investment is required to meet global end-consumer energy demand.

OIL PRICE CRISIS IMPACT

The offshore marine industry is driven by the exploration and production ('E&P') activity of major oil and gas companies. The level of E&P activity is influenced amongst other things by prevailing oil prices, with stable oil prices facilitating longer-term capital planning. The freefall in the oil price from over US\$114/barrel¹ in June 2014 to just US\$29/barrel² in January 2016 resulted in a similarly dramatic reduction in offshore E&P capital expenditure, down 33% between 2014 and 2017 and to its lowest level since 1986.³

E&P companies responded by freezing exploration and appraisal activity, simplifying and redesigning oil field development plans – resulting in the approval of fewer development opportunities at lower breakeven oil prices – and cutting back discretionary spending.

The knock-on effect for the OSV industry was severe; demand dropped by approximately 30% from 2014⁴ and led to a global oversupply of vessels and, subsequently, plummeting utilisation levels and day rates. The global layup of vessels (approximately 34% in total⁵) rebalanced the market to an extent, but tough market conditions resulted in an unprecedented level of restructuring, bankruptcies and scrapping activity. The majority of these laid-up vessels are not expected to return to service, as 49%⁶ of them are over 30 years old and will be prohibitively expensive to reactivate. This will reduce excess tonnage further and start to balance future supply and demand.

GROWING ENERGY DEMAND

Consumer demand for energy (the ultimate driver of oil and gas industry activity) is growing, particularly for natural gas which is expected to see consumption increase by 15% between 2017 and 2025.⁷ The growth in renewables also offers significant opportunities for Topaz – to support the development of wind farms, for example.

Combined oil and gas demand is expected to represent approximately 56% of the world's total energy requirement by 2020, reflecting a reduction in coal consumption offset, in part, by an increase in renewable energy.

Macro market fundamentals are positive: global energy demand is expected to grow by 17% between 2016 and 2025, influenced by a world population forecast of 8.2b people by 2025 and an increase in GDP per capita of 41%. At Topaz, our belief is that oil and gas will continue to be the cornerstone of global energy consumption for decades to come.

THE RETURN OF E&P INVESTMENT?

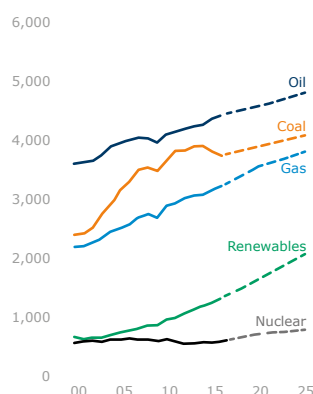
Following several years of curtailed investment, a higher rate of both capital and operating expenditure in global offshore E&P will be required to meet this growing demand for oil and gas. Latest forecasts indicate an uptick in spending from US\$186b in 2016 to US\$192b in 2017, and future growth at approximately 3% per year until 2021.⁸ Notably, 31% of total oil and gas production⁹ is attributable to the offshore sector. To sustain such demand, an additional 71.5m boepd needs to be brought on stream by 2021,¹⁰ which is expected to substantially increase offshore

infrastructure and the requirement for OSVs. Additionally, maintenance activities will increase after the downturn which, together with more exploration, appraisal and development activity, will create significant further demand for OSVs. For the survivors of the OSV crisis the outlook looks positive.

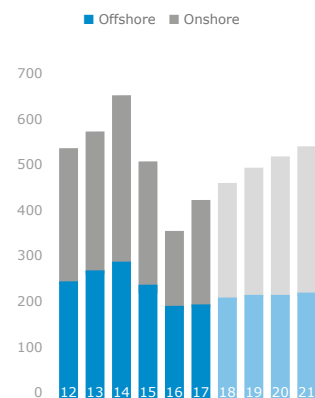
WHAT DOES THIS MEAN FOR TOPAZ?

The OSV survivors include those organisations that were willing and able to make changes to reset their businesses and strategies to the new market environment. At Topaz, we took rapid action at the outset of the crisis to remain in control of our future. We reduced costs but also challenged the status quo, by positioning ourselves to be even stronger partners to our clients – moving with them in the rapidly-changing marketplace to add value through distinct, tailored services and solutions. Our transformation has been tough but has provided us with competitive advantages. We are now in a prime position not just to benefit from higher utilisation and day rates as the OSV market starts to turn but also as a game changer, poised to capture more of the marine energy logistics market.

GLOBAL ENERGY DEMAND OUTLOOK (MTOE)



GLOBAL E&P CAPITAL AND OPERATING EXPENDITURE (US\$b)



1, 2 Thomson Reuters

3 Westwood Global Energy

4 Pareto Securities Equity Research

5 IHS Petrodata

6, 7, 8, 9, 10 Westwood Global Energy

TRADITIONAL OSV DEMAND CONTRACTED. AT TOPAZ, WE EXPANDED OUR SERVICE OFFERING.

TRANSFORMING NAVIGATION

In 2017, we collaborated closely with Tengizchevroil and shipbuilders to continue the construction of Module Carrying Vessels (MCVs), a new specialist vessel type, to transport modular units to Kazakhstan for installation in an industry 'mega project' in the Tengiz field – the sixth largest oil field in the world. For cargoes of this size and high value, these vessels are a game changer, creating the fastest transit time through the Russian Inland Waterways System. Despite being an 'industry first', we are on budget and ahead of schedule. In late 2017, *Topaz Amur* and *Topaz Chu* successfully made their maiden voyages along the Volga River to the Caspian Sea, with the remaining vessels scheduled throughout 2018.

EXPANDING OUR SERVICES

To support this 'industry first' we created a new operating division – Topaz Solutions – to focus our strategic diversification into additional segments of the energy industry. By understanding changing customer needs and by applying a craftsman-like approach, our innovative spirit and our maritime expertise, we are able to propose and implement solutions which challenge conventional thinking and methods. Our success to date in the Tengiz project has proven our ability to do just this – from inception to real-time deployment. We now have a replicable blueprint for expansion into a range of diverse, complementary services in new addressable markets and geographies.

ADDITIONAL REVENUE (US\$m)

550

from Tengiz project

CAPEX PRE-FUNDED BY CLIENT (US\$m)

325

WHAT SETS US APART

Positioned to capture more of the energy logistics market



VISION, STRATEGY AND KPIs

Our vision is to be the champion provider of marine and logistics solutions to the global offshore industry, with profitability in the top quartile. We will achieve this by staying focused on our strategic priorities.



AN IMPORTANT STRATEGIC SHIFT

As our clients' demands evolve, Topaz has adapted its offering to stay at the forefront of industry needs and remain the preferred provider of marine and logistics solutions. Over the past years, our increased focus on end-to-end logistics solutions has been crystallising, with the Tengiz contract award being the first 'proof of concept' of our ability to deliver large-scale, bespoke solutions, in collaboration with customers and partners. As we work with multiple clients on the expansion of our marine logistics solutions and services offering, this topic continues to be a strategic priority and, from 2018, Topaz Solutions will be considered an individual division, and reported on alongside our existing geographic divisions. As industry conditions slowly improve, we will continue our robust, disciplined growth trajectory, while ensuring our readiness to undertake strategically-transformational projects.

NEW KEY PERFORMANCE MEASURES (KPIs)

To reflect the importance of being recognised as the preferred provider of marine and logistics solutions, we introduced a new KPI which measures how this area of business contributes to our overall revenue. In 2017, we also introduced net interest-bearing debt to EBITDA as a KPI to measure our covenant headroom. We perceive this metric to be the most relevant – both internally and externally – to demonstrate progress against our strategic priority of maintaining a prudent financial strategy. Historic figures for existing KPIs can be found in the relevant pages of the business review, as indicated.

STRATEGIC PRIORITIES

BUILDING ON OUR CASPIAN FORTRESS

We will continue to benefit from our market position in the Caspian OSV market – our home market. Its unique geography creates high physical barriers to entry, favouring longer-term contracts with established players.

FOCUS ON THE PRODUCTION AND DEVELOPMENT PHASES FOR BLUE-CHIP ENERGY COMPANIES

We will remain focused on the development and production phases of the oil and gas industry lifecycle, which is less vulnerable to changes in the oil price.

INNOVATIVE EXPANSION INTO CRITICAL LOGISTICS SUPPORT AND MARINE SOLUTIONS

In our Topaz Solutions division we have created bespoke solutions by applying a differentiated response to logistical challenges and proving our ability to develop more diversified marine services.

DISCIPLINED APPROACH TO GROWTH

We will seek out growth opportunities that meet our stringent investment criteria and enable us to maintain industry-leading profitability, while not exposing us to excessive risk.

COMMITMENT TO OPERATIONAL EXCELLENCE

Our best-in-class operating standards help forge and strengthen existing client relationships and will lead to valuable contract opportunities in other regions.

MAINTAINING OUR PRUDENT FINANCIAL STRATEGY

We aim to continue to de-risk our business using a prudent financial policy while maintaining operational excellence.

VISION, STRATEGY AND KPIs

We use a range of metrics to measure progress against our strategy and have updated them to reflect our new services.

2017 PROGRESS

GROUP KEY PERFORMANCE INDICATORS



77%

of revenue generated by Topaz Marine Caspian

> **REVENUE**

KPI

> Page 16

> **EBITDA**

KPI

> Page 16

> **EBITDA MARGIN**

KPI

> Page 16

> **CORE FLEET UTILISATION**

KPI

> Page 22



100%

of contracted revenue from 'develop and produce' phases



7%

of revenue generated from Topaz Solutions

> **REVENUE GENERATED FROM TOPAZ SOLUTIONS AND ITS SERVICES**

KPI NEW

Why we have chosen this KPI

To measure how much new business is generated from solutions and new services



3.7%

adjusted¹ RONA

> **RETURN ON NET ASSETS (RONA)**

> Page 26

> **RETURN ON EQUITY (ROE)**

> Page 26



26

months² of LTI-free operations

> **LOST TIME INJURY FREQUENCY (LTIF)**

> Page 19



4.96x

NIBD to EBITDA, with a headroom of 14%

> **NET INTEREST-BEARING DEBT³ (NIBD) TO EBITDA**

KPI NEW

Why we have chosen this KPI

To monitor our covenant headroom by measuring our ability to service our debt in relation to EBITDA

¹ Adjusted to remove the impact of one-off exceptional items in the period (i.e. impairment and financing, etc.)

² As at the date of this report

³ NIBD = total debt less free cash and subordinated debt

MANAGING OUR RISKS

Risk management is fundamental to the growth and operation of our business. Effectively managing market, strategic and operational risks gives us confidence in the protection and creation of stakeholder value.

RISK MANAGEMENT

Topaz has implemented a risk management process based on the Enterprise Risk Management (ERM) framework. The process aims to ensure that Topaz's Board and executive management consider all types of risk that may arise from a market, strategic and operational point of view, whether the particular risk arises from external or internal sources.

The Topaz risk management process ensures that a consistent framework exists for identifying, measuring, mitigating, monitoring and reporting on risk across the Group.

The process requires the organisation to carry out corporate/strategic risk assessments annually through both a top-down and a bottom-up approach, enabling management to produce a comprehensive view of the risks impacting the Group's activities and objectives. The risk register identified as a result of this annual exercise is presented to the Topaz Board of Directors for consideration.

The process also sets out when risk assessments shall be carried out and repeated for operational activities of the Group. Operational risks are managed by each key operational function.

Topaz has developed and implemented a comprehensive safety and document management system that includes policies and procedures for all key activities carried out by the organisation and which ensures that necessary safety and quality standards are being met. The establishment of and compliance with these processes serves as an additional safety net in the Group's management of risks.

RISK APPETITE

Risk is inherent to Topaz's business activities and in order to achieve our vision and strategic objectives we need to take calculated risks. However, given the nature of our day-to-day operations – often in hazardous, harsh, challenging and fast-changing conditions – there are certain areas of our business where we have zero risk tolerance. Specifically, these concern the safety of our personnel and others working on our vessels, and environmental emissions.

RISK IDENTIFICATION

Through our corporate/strategic risk assessment exercises, we have identified five key risks which, if not managed adequately, could have a material adverse impact on Topaz's operational results, financial position and objectives. These are explained in more detail on page 15.



"At the start of the Tengiz project we identified the top commercial, operational and contractual risks. These were closely managed and monitored, and reported directly to our COO and executive management team. Our risk management approach during the vessel construction phase contributed substantially to the successful delivery from the shipyard, on time and on budget, of all vessels scheduled in 2017."

Eirin Inderberg
Head of Legal

RISK INSIGHT



In 2018, the Tengiz project will move from the vessel construction phase to the execution phase, with all 20 vessels being operational.

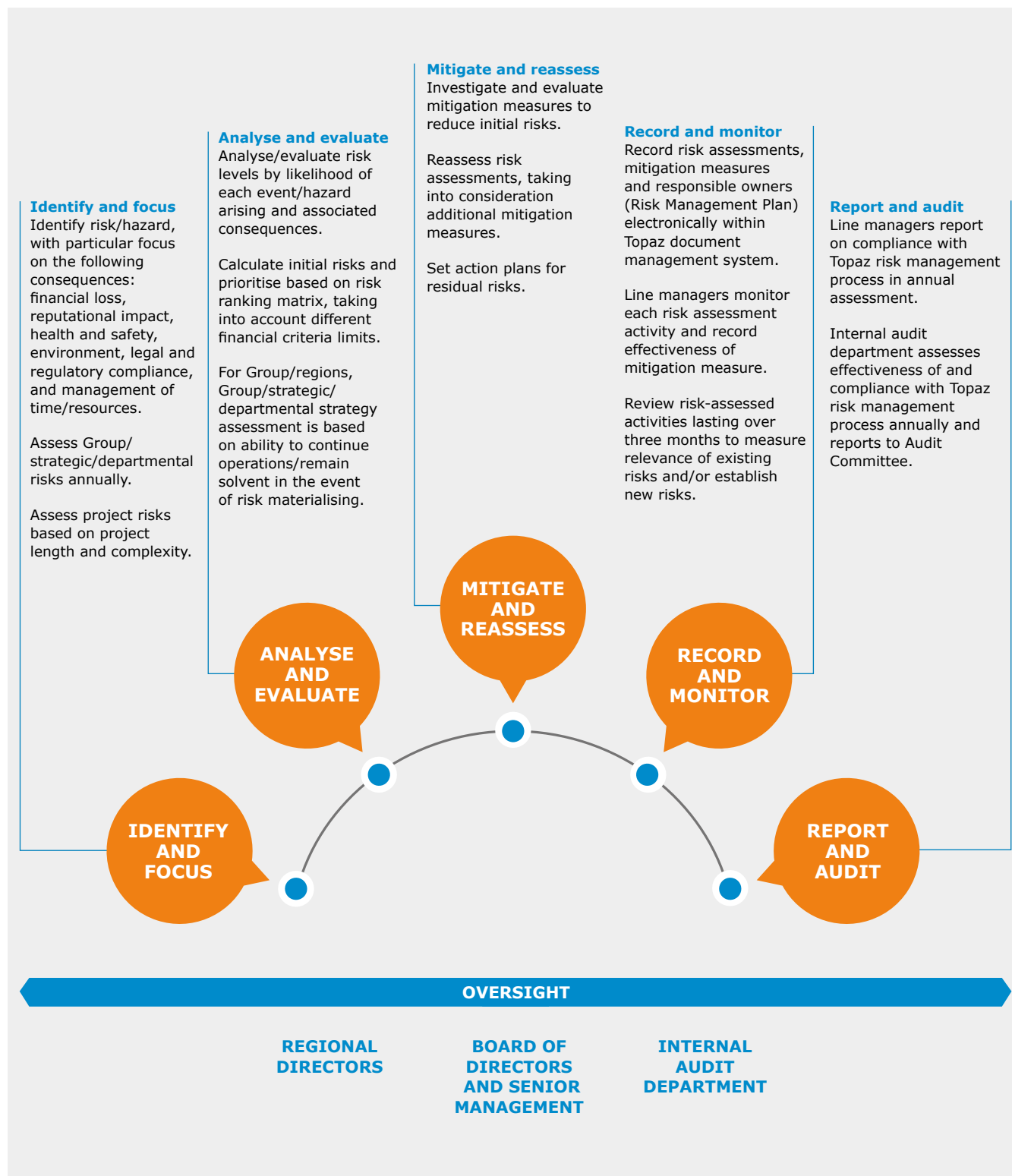
In preparation for this, together with our client and partners, we have carried out in-depth assessments to identify, measure and manage critical operational risks. As part of this exercise, test voyages were carried out with two vessels through the Russian Inland Waterways System.

As a result of these risk assessments, the project team identified and implemented specific additional safety and operational processes. Topaz has also made the strategic decision to employ logistics experts and crew with area-specific expertise, to ensure that risks during the vessel operational phase are sufficiently managed.

MANAGING OUR RISKS

Our Enterprise Risk Management process is designed to provide the Board and senior management with relevant industry and operational risk information.

TOPAZ ENTERPRISE RISK MANAGEMENT 5-STEP PROCESS

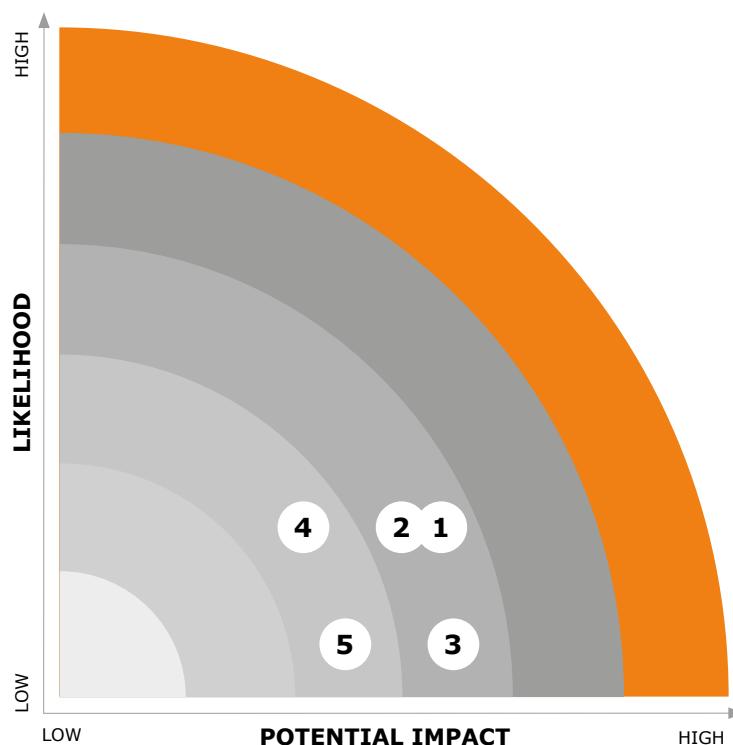


MANAGING OUR RISKS

As part of our risk management process, we consider our key risks by their likelihood and potential impact on our Group's value creation. This helps us to focus our mitigation priorities.

TOP FIVE IDENTIFIED RISKS

- 1 Decline in oil and gas industry expenditure
- 2 Major operating set-back incident
- 3 Major safety or environmental incident
- 4 Inability to obtain sufficient financing or working capital facilities
- 5 Political and/or economic turmoil in areas of operation



KEY YEAR-ON-YEAR CHANGES IN RISK AREA PROFILES

RISK APPETITE RATING ●●●●● / CHANGE IN RISK ↑

OPERATING RISK

Given the complexity, scale and uniqueness of the Tengiz project and its progression into the fully operational phase in 2018, our operating risks will increase in 2018.

The Tengiz project's value represents a significant contribution towards our revenue and profitability from 2018 onwards.

Mitigation efforts have been significantly increased as per mitigation strategies detailed on page 15.

RISK ASSESSMENT PROCESS

RISK ASSESSMENT	RESPONSIBILITY	FREQUENCY
Strategic risks (Group-wide)	CEO	Annual
Strategic risks (Regional)	Regional directors	Annual
Strategic risks (Departmental)	Departmental heads	Annual
Project risks (e.g. commercial, procurement, operations, technical, IT)	Line managers	Dependent on each project type and according to strict criteria

MANAGING OUR RISKS

1 DECLINE IN OIL AND GAS INDUSTRY EXPENDITURE

RISK APPETITE RATING ●●●●● / CHANGE IN RISK →

INDUSTRY RISK	Potential impact	Mitigation strategies	Responsibilities	Strategic relevance
Topaz primarily provides services to clients in the upstream oil and gas industry. Topaz's revenue depends on the level of expenditure on exploration, development and production, which may be volatile due to many factors, including fluctuation in oil prices.	Decreased demand for Topaz's services	Reliance on industry expenditure reduced through diverse clients, sectors and geographies Operations tied in to stable development and production phases, rather than the more volatile exploration phase Introduction of new marine logistics business line through Topaz Solutions	Corporate Executive Committee, led by CEO	Disciplined approach to growth Innovative expansion

2 MAJOR OPERATIONAL SET-BACK INCIDENT

RISK APPETITE RATING ●●●●● / CHANGE IN RISK ↑

OPERATING RISK	Potential impact	Mitigation strategies	Responsibilities	Strategic relevance
Topaz's high-quality client offering is driven by operational excellence, which is dependent on crew experience and efficiency, a well-maintained vessel fleet, minimum technical breakdowns and the support of vendors for supplies.	Negative impact on revenue and profits	Focus on active crew competency through recruitment, training and Competency Assurance Programme (CAP) Strong knowledge of local operational requirements Careful selection and monitoring of vendors to ensure continuity of supplies Extensive risk assessments ahead of challenging operational tasks or larger projects, such as the Tengiz project	Corporate Executive Committee, led by COO	Innovative expansion

3 MAJOR SAFETY OR ENVIRONMENTAL INCIDENT

RISK APPETITE RATING ●●●●● / CHANGE IN RISK →

HEALTH/SAFETY AND ENVIRONMENTAL RISK	Potential impact	Mitigation strategies	Responsibilities	Strategic relevance
The Group's operations are exposed to a number of safety and environmental risks such as adverse weather conditions, injury to humans, collisions and hazardous substance spills.	Significant financial and reputational damage	Integrated management system used to implement and ensure compliance with industry and regulatory requirements and practice Continuous training of front-line staff and reinforcement of safety culture Company appropriately insured against financial losses associated with HSE incidents	Corporate Executive Committee, led by COO and Head of QHSSE	Operational excellence

4 INABILITY TO OBTAIN SUFFICIENT FINANCING OR WORKING CAPITAL FACILITIES

RISK APPETITE RATING ●●●●● / CHANGE IN RISK →

FINANCING/LIQUIDITY RISK	Potential impact	Mitigation strategies	Responsibilities	Strategic relevance
Topaz requires funding to finance capital expenditure to support continued growth, and hence has an asset-hungry model with a high cost of ownership. Topaz's ability to secure additional debt depends on financial and economic factors such as liquidity in the market and the Company's financial strength.	Negative impact on growth strategy and short-term liquidity	Strong relationships with local/international banks facilitate ability to raise different types of project financing such as conventional shipping loans, Islamic loans and export credit financing, alongside access to the public bond markets Diversified lender base mitigates future financing risk Strong focus on and monitoring of near- and long-term cash flow position	Corporate Executive Committee, led by CFO	Prudent financial strategy

5 POLITICAL AND/OR ECONOMIC TURMOIL IN AREAS OF OPERATION

RISK APPETITE RATING ●●●●● / CHANGE IN RISK →

POLITICAL MARKET RISK	Potential impact	Mitigation strategies	Responsibilities	Strategic relevance
Topaz generates most of its revenue from operations in the Caspian, West Africa, Russia and MENA regions, where economic, political and social conditions can be volatile and may deteriorate in the future.	Reduction in/loss of current business Inability to realise strategic geographical expansion objectives	Changing landscape of political risks monitored in key countries Operations in numerous markets reduce exposure to any one region Policy of local recruitment in key markets entrenches local presence and acceptance Use of local external advisors to ensure compliance with local laws and regulations	Board and Corporate Executive Committee	Building on Caspian fortress Disciplined approach to growth

BUSINESS REVIEW 2017 / PERFORMANCE OVERVIEW

Our ability to win major contracts in both 2016 and 2017 is testament to the trust and confidence our client partners have in us.



René Kofod-Olsen, Chief Executive Officer (L) with the crew of *Topaz Karzakkan*.

RESULTS IN CONTEXT

Our 2017 financial results are neither representative of our own targets, nor of the many operational successes we achieved during the year. Whilst it is hard to marry the disappointment of last year's financial results with the energy and optimism we are experiencing moving into 2018, this is the reality we faced at the year end, given the exceedingly challenging market conditions our industry continued to experience during the period under review.

SAFETY FIRST

An operational highlight of the year was our 26-month LTI-free period. Safety is our top priority and this performance reflects our investment in promoting a strong and well-respected safety culture internally and externally.

FINANCIAL PERFORMANCE

We reported a decline in both revenue and EBITDA in 2017. Revenue stood at US\$244m (2016: US\$282m) and EBITDA at US\$118m (2016: US\$145m). Our financial results continued to be impacted by depressed capital expenditure in the energy sector, and vessel overcapacity, which put increased pressure on vessel utilisation and day rates.

COST SAVINGS

Through our ongoing and relentless focus on cost control we maintained a relatively stable EBITDA margin of 48% (2016: 51%). During the year, we reduced costs by US\$20m. As in previous years, these cost savings have enabled our organisation not only to survive, but to perform effectively in a volatile and unpredictable marketplace.

However, we only implemented sustainable cost savings – those which do not affect our high standards of safety and customer service. We saved maintenance costs, for example, by negotiating with our core suppliers and setting up long-term framework agreements.

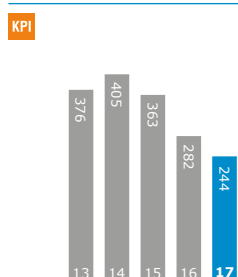
BUSINESS EFFICIENCIES

During the year, we implemented a range of initiatives to make our business more efficient and effective. We set up a shared services model and signed a contract with a world-leading telecommunications provider to digitise Group-wide processes, which allows us to communicate with our fleet in 'real time' and to improve autonomous decision-making. We also invested selectively in a range of systems to improve efficiencies in safety, technical and customer relationship management.

RESILIENCE AND INNOVATION

We have learnt a lot about our employees through this protracted downcycle. Their resilience, craftsmanship and loyalty have been second to none.

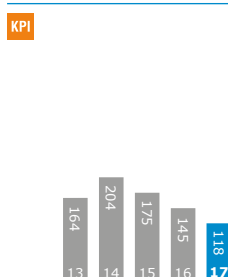
REVENUE (US\$m)



Why we have chosen this KPI

To monitor the level of operating activity and growth of the business

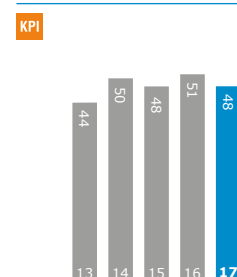
EBITDA (US\$m)



Why we have chosen this KPI

To monitor the level of operating profitability of the business

EBITDA MARGIN (%)



Why we have chosen this KPI

To measure how efficiently we convert revenue into EBITDA

OUR MARKET EXPERIENCED UNPRECEDENTED TURBULENCE. AT TOPAZ, WE MAINTAINED A STEADY COURSE.

RELENTLESS FOCUS ON EFFICIENCY

As part of our efficiency drive, we refocused our operating model to be sustainable at low oil prices in the medium term by reducing general, administrative and crew costs, optimising the supply chain and introducing shared services across most functions. In 2017, we reduced our operating costs by US\$20m, contributing to total operational savings of US\$68m since 2014. Our remodelled cost base allows us to withstand lower oil prices for longer.

NEVER AT THE EXPENSE OF SAFETY

No matter what, we never take our eye off safety and in early 2018, we reached a milestone of two years of zero Lost Time Injuries (LTIs). Since the outset of the oil price crisis mid-2014 we have focused relentlessly on safety, supported by the feedback and findings from our annual safety culture survey, which was first introduced in 2013. We achieved a 96% participation rate in 2017, exemplifying our commitment as an organisation to safety awareness and a positive safety culture. Our safety track record, which continues to stay ahead of the industry's HSE benchmark, is not only our licence to operate, but also a key competitive differentiator and a prerequisite to winning and retaining business with customers, who equally prioritise safety, efficiency, reliability and craftsmanship.

OPERATIONAL COST SAVINGS (US\$m)

68

between 2014 and 2017

LTI-FREE PERIOD

26

months up to April 2018

WHAT SETS US APART

Proven operational
performance

BUSINESS REVIEW 2017 / PERFORMANCE OVERVIEW

We continued to invest in crew training, competency training and localisation programmes, but, regrettably, our employees have not been immune from cuts nor voluntary redundancies. Nonetheless, during these difficult times they have risen to the challenge to deliver exceptional customer service and create an innovative logistics solutions offer, in response to rapidly-changing market demands.

Following the successful operational phase of our Tengiz project, we are looking to expand this logistics solutions offer through our new division, Topaz Solutions. We are actively seeking opportunities to become more deeply entrenched along our clients' value chain and work with them in even stronger partnerships.

INDUSTRY-LEADING BACKLOG

Our client-focused approach has enabled us to expand business with existing clients and win new business. Our ability to win major contracts in both 2016 and 2017 is testament to the trust and confidence our client partners have in us. Notable business wins during the year included a five-year US\$100m contract with Dragon Oil in August 2017 for six vessels in Turkmenistan, and an important contract in Q3 in Azerbaijan with our global partner, Total. Our contract backlog increased in 2017 to just over US\$1.5b and is industry-leading; more importantly it gives us long-term earnings visibility.

FLEET UTILISATION

Our core fleet utilisation suffered as a direct result of competitive price pressure, falling to 64.5% from just over 73% in 2016. However, as the year progressed our utilisation rate improved, with significant progress made in the last quarter. Rates varied significantly by region, mirroring their vastly different market dynamics.

In Azerbaijan, for example, our utilisation rate was 92%, reflecting the strength of our business based on long-term contracts. In the MENA and Africa regions, which are mainly driven by the spot market, we experienced much lower core fleet utilisation rates of 53% and 40% respectively. However, on the back of strong tendering activities, we reactivated five vessels in MENA and two in Africa, reducing the total tally of vessels in layup from 12 to five. In Africa, our entire fleet is now operational – a complete turnaround from our situation in the previous year.

TENGIZ PROJECT

Notably, our Tengiz project moved into its operational phase, as the first two MCVs successfully made their maiden voyages in the last quarter of 2017, six months ahead of schedule; a significant achievement as these vessels are an 'industry first'. Delivery of the remaining vessels also remains on schedule, which bodes well for the large-scale operational ramp-up required in the first half of 2018.

STRONG FINANCIAL PLATFORM

We remained focused on managing cash and our financial leverage – imperative given the turbulent market conditions – and we were fully compliant with our financial covenants throughout the year. We successfully refinanced our existing US\$350m 8.625% Senior Notes due in 2018 via the issuance of US\$375m 9.125% Senior Notes due in 2022. In addition, our credit ratings were reaffirmed by S&P and Moody's and remain stable.

HOME MARKET ADVANTAGE

Our 'fortress position' in the Caspian has undoubtedly helped shield us from the full impact of the oil price crisis. We have operated in this oil-rich basin for over 20 years and enjoy a market leadership position, with a strong alliance partnership in Azerbaijan. Our unique understanding of long-term customer needs, driven by complex marine logistics in this landlocked region, have enabled us to build close relationships with five of the major IOCs operating in the area. As an 'operator of choice' we are confident of benefiting from further business opportunities in our fortress home market.

DIGITAL AS AN ENABLER



OUTLOOK

Rising demand and flattening global supplies, coupled with OPEC's cuts since January 2017, seem to indicate an upward trend in oil prices for the first time in three years, with Brent oil trading above US\$55/boe¹ since mid-September 2017. We foresee OSV markets responding to this positively with an increase in tender activity that will help absorb the excess tonnage over time. We have already started to see some signs of recovery in the market, but nowhere near pre-crisis conditions.

In summary, we expect 2018 to offer better opportunities for growth, but fully anticipate that challenging market conditions will continue in most of our operating regions. As we have done over the course of the crisis we shall leave nothing to chance and will instead take action to remain in control of our own future. We will remain resolutely focused on our strategic priorities – delivered by our excellent employees – to curb costs, invest cautiously, build on our Caspian 'fortress position' and pursue selective, innovative growth opportunities with the aim of matching our financial performance to our operational excellence.

René Kofod-Olsen, Chief Executive Officer

By automating key tasks and standardising processes via NS5, our resource planning platform, we have improved vessel uptime and reduced maintenance costs. Our operational performance will improve further as we implement more predictive maintenance technology.

By investing in on-board satellite communication systems, we are able to capture data in 'real time' across our core fleet, to better inform decision-making between vessels, our onshore operations and our clients.

In 2018, our digital efficiency programme will continue to support Group strategic priorities, focusing on operational excellence, customer satisfaction and asset utilisation.

¹ Westwood Global Energy

BUSINESS REVIEW 2017 / SAFETY PERFORMANCE

SAFETY FIRST

We focus relentlessly on ensuring the safety of our operations, employees and contractors across our global organisation. As well as exercising constant care, we strive to maintain a positive safety culture, supported by a robust safety management system (SMS). Safety is not only integral to our licence to operate, but our strong operational safety track record is also a key competitive strength, providing further assurance for clients to contract significant and long-term business with us.

As at 4 January 2018 we completed more than two years of operations without a Lost Time Injury (LTI), which is significantly ahead of the industry average (see table below). Notably, so is our rate of vessel management visits, at over five times higher than the industry standard. Surpassing industry benchmarks puts our performance into perspective versus our peers, but not our ambition; our continuous aim is for zero safety incidents and we strive to further increase the number and, critically, the effectiveness of our vessel visits.

"We have faced great challenges in the market downturn, but safety is always my first priority, especially when I am on board our vessels. Our team is always working hard with the support of onshore staff to achieve our goals and to stay safe, because safety is everyone's responsibility."

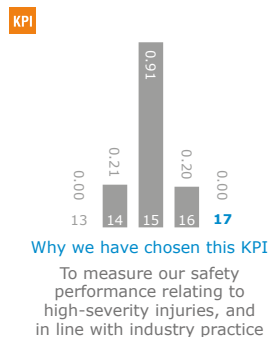
Anonymous
Qualitative response from
Topaz Safety Culture Survey, 2017

SAFETY MANAGEMENT

The CEO has overall and ultimate responsibility for our safety performance and policies, while the Group QHSSE Manager has the responsibility and authority to monitor compliance and set objectives, to ensure that Company-wide QHSSE policies and procedures are adhered to. QHSSE performance standards are met through effective planning, implementation, follow-up and verification. At the regional level, QHSSE representatives operate within fleet management teams, reporting functionally to the Group QHSSE Manager and driving safety awareness within their respective areas of operations.

Our fleet management teams facilitate continuous improvement and working beyond SMS compliance. They focus on exceeding client expectations and industry standards such as ISO 9001, ISO 14001, OHSAS 18001 as well as those set by the Oil Companies International Marine Forum (OCIMF). Topaz also maintains a valid certification issued by Lloyd's Register Quality Assurance (LRQA) to ensure all business locations are constantly monitored and verified against the Topaz integrated management system.

LOST TIME INJURY FREQUENCY (LTIF)



SAFETY SURVEY RESPONSE BY DIVISION (%)



SAFETY SURVEY RESPONSE BY RANK/ROLE (%)



SAFETY STEWARDSHIP

Topaz is an active member of the International Marine Contractors Association (IMCA), an international trade association promoting safety within the offshore, marine and underwater engineering industries. We also comply stringently with all applicable national and international rules and regulations. These are listed in the Glossary on page 86. We undergo annual external audits of our compliance with these standards. Our teams also carry out relevant internal audits on a regular basis.

QHSSE PERFORMANCE

KPI	INDUSTRY BENCHMARK ¹	2016	2017	CHANGE IN PERFORMANCE 2017 v 2016
Fatal accident rate (FAR)	1.00	0	0	➔
Lost time injury frequency (LTIF) KPI	0.43	0.20	0	⬆
Total recordable injury rate (TRIR)	1.81	0.8	0.86	⬇
Environmental incident frequency (ENVf)	0.76	0	1.73	⬇
Safety observation frequency rate (SOFR)	410	1,012	828	⬇
Management visit ratio (MVR)	5.8	34.9	24.2	⬇
Man-hours	IMCA Band D	4,943,568	4,632,292	

¹ International Marine Contractors Association (IMCA), Safety statistics for 2016, published May 2017

BUSINESS REVIEW 2017 / SAFETY PERFORMANCE

SAFETY CULTURE

For the fifth consecutive year we have carried out an annual safety culture survey run by an external consultant. In 2017, this was conducted in four languages, achieving a record participation rate of 96%, a significant increase from 63% in 2016. Visible safety leadership from the CEO and COO to encourage participation helped drive this change, as did leveraging 'competitive spirit', by sharing progress rates across regions and using internal communications channels, such as Microsoft's Yammer platform. The resulting high participation rates mean that we can be confident that our findings accurately represent our employees' perception. An overview of key findings is provided in the box below.

2017 PERFORMANCE

As set out in last year's Annual Report, we paid special attention to understanding the causes of all incidents and applying lessons learned. This is an important cultural transformation as it enables employees to learn equally from successes and failures, to improve operational safety and embed it as a critical component of our overall operational excellence. Initiatives carried out during the year included:

Control of work (COW) training

The introduction of COW training enhances safe working practices, by focusing on the application of safe work procedures, whilst carrying out tasks on board.

Near Miss reporting

We also rolled out a Near Miss reporting campaign as an essential learning tool to help identify and understand potential safety issues and effective safety mechanisms before damages and losses occur.

Safety passports

We continued third-party contractor safety training to ensure all parties working with Topaz follow our high safety standards. On completion, 'safety passports' are issued, allowing contractors to work on our vessels and operating sites.

Safety communication

The number of safety-awareness bulletins we issued in 2017 decreased. However, we have begun to rectify this by introducing preliminary news flashes detailing previous or potential incidents. This preventative approach of sharing lessons learned with our employees and contractors improves the visibility and understanding of unsafe acts or conditions, which may not have been perceived as a risk beforehand.

2018 SAFETY FOCUS AND PRIORITIES

- > Detailed and rigorous assessments of competency, including for Superintendents
- > Rigorous ongoing testing of key tasks (e.g. audits/inspections and planned maintenance), systems (e.g. performance dashboards) and procedures (e.g. vessel handovers and timely documentation)
- > Development of long-term plans to fulfil Offshore Vessel Management and Self Assessment (OVMSA) requirements and as a commitment to align with our clients' management systems
- > Delivery of operational excellence from the CEO to front-line employees, to improve employee perception of management involvement in safety matters
- > Constant awareness, identification and reporting of Near Misses and safety observations that may indicate potential hazards or risks during operations
- > Undertaking and reporting of scheduled and ad hoc vessel visits, making use of our new Management Vessel Visits (MVV) mobile app
- > Highest maintenance and repair priority given to safety-critical equipment.

ANNUAL SAFETY CULTURE SURVEY RESULTS

Following the completion of the survey in December 2017, short- and long-term action plans were developed to address areas for improvement.

The survey focuses on the perception of Topaz employees in relation to 11 safety fundamentals, which are associated with a safe culture. Overall, we moved up the Safety Culture Ladder, with no safety fundamentals flagged as needing high or immediate attention. 'Control over safety' remains our highest-ranking fundamental – a positive affirmation that our employees feel not just responsible for safety but empowered to take action. The 'communication about safety' fundamental showed the greatest improvement, which reflects our targeted actions in 2016-2017 to improve visibility and the frequency of QHSSE-related communications.

However, despite the increased number of management vessel visits and our Board's unwavering commitment to 'safety first', results indicated the need for further visible safety leadership during visits.

Our focus in 2018 is to achieve both a high frequency of visits and high-quality engagement with crew. We have already begun to utilise our specially-developed Management Vessel Visits (MVV) mobile app to capture key observations in real time, including examples of positive behaviour from crew, both to prompt on-board engagement and to recognise QHSSE performance. We will also continue to run onshore and offshore safety-related campaigns to promote safety awareness and accountability, with a focus in 2018 on creating higher visibility of the Safety Officer's role on board.

EMPLOYEE PERCEPTION OF SAFETY FUNDAMENTALS IN RANK ORDER 2017

1	Control over safety
2	Access to safety information
3	Learning from safety information
4	Safety information
5	Profile of safety
6	Attitude to safety
7	Communication about safety
8	Investment in safety
9	Perception of safety performance
10	Recognition and openness about safety
11	Management involvement in safety

Source: Topaz Safety Culture Survey 2017, The occupational psychology centre, January 2018.

BUSINESS REVIEW 2017 / PEOPLE PERFORMANCE

CRAFTSMANSHIP: A STRATEGIC STRENGTH

We operate in some of the harshest, most challenging conditions, which takes skill, courage and resilience. Our innate sense of craftsmanship differentiates us in a challenging marketplace, increasingly focused on cost efficiency. In 2017, regrettably, these marketplace pressures led to a higher overall staff turnover than in previous years – a situation that we hope to reverse, as market conditions improve. Our retention of management, onshore staff, and crew rank, however, remained relatively stable and we are thankful for our people's loyalty and their belief in Topaz's long-term prospects.

EMPOWERING OUR ORGANISATION

We empower our people to challenge the status quo and encourage everyone to strive for excellence. This is an important part of our drive to nurture an achievement-oriented culture to better serve our clients in our fast-changing environment – even more so as we move up the value chain into managing end-to-end marine logistics solutions.

COMPETENCE ASSURANCE PROGRAMME

The quality of our people underpins our strategic success. Our Competence Assurance Programme (CAP) is supported by our Operational Assurance Officers who assess offshore employees against core and vessel-specific competences. In 2017, we expanded the CAP to include the operation of our new MCVs and river navigation (see case study on Tengiz project crew training, page 32).

LOCAL RECRUITMENT

The recruitment of local employees and suppliers enhances our local knowledge and positions us as a preferred business partner, while some local governments set contractual recruitment targets. In Nigeria and Azerbaijan we recorded above-target results with 100% and 99.1% of local recruits respectively, achieved through bespoke training and succession planning.

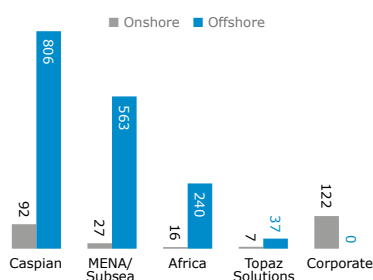
In Saudi Arabia, our ongoing collaboration with the King Abdulaziz University saw 25 Saudi maritime graduates trained on board Topaz vessels. This programme has played a key role in winning new work with major IOCs in the region. In Azerbaijan, we run a similar programme, allowing cadets from Azerbaijan State Marine Academy to undertake their mandatory on-board training with us. We also granted 15 apprenticeship placements and employed seven graduates, including two women, from Kazakhstan Marine Academy.

PEOPLE PRIORITIES 2018

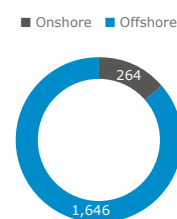
Retaining and attracting the best talent is critical to our operational strength and strategic growth plans. We continue to invest in the development of our people, to ensure we have the right capabilities to support our clients' future needs:

- > Expanding our CAP in line with operational growth
- > Intensifying initiatives to support client and legal localisation requirements
- > Strengthening strategic links with universities to improve marine skills
- > Ongoing Tengiz project resourcing and training to support operations in 2018
- > Reinforcing our corporate values through Pride and Loyalty activities (see below) and internal communications.

EMPLOYEES BY REGION HEADCOUNT



ALL EMPLOYEES



EMPLOYEE RECOGNITION AND LOYALTY



We continue to invest in areas which are important to our personnel. In 2017, we invested in cabin upgrades and a crew lounge in our Jebel Ali office. Through our digitisation journey, we have installed internet/TV connections across the majority of our fleet, while our NS5 fleet system has improved crew rotation scheduling.

Since 2016, as part of our Pride and Loyalty programme, over 130 personnel have been presented with awards for long service, ranging from ten to 25 years. In challenging economic conditions, this is a tribute to our loyal and dedicated workforce.

Captain Bafadar Ibrahimli (fifth from right) receiving his long-service award from Regional Director Topaz MENA/Subsea.

BUSINESS REVIEW 2017 / FLEET PERFORMANCE

A WORLD-CLASS FLEET

We pride ourselves on owning and operating one of the youngest, most versatile fleets in the OSV industry. Driven by our 30-year marine heritage and a sense of craftsmanship in everything we do, we are dedicated to ensuring our vessels maintain the highest standards of safety and operational performance, while being cost-effective and minimising our environmental impact. These attributes – alongside increasingly high standards of safety and operational performance – are critical to winning and retaining business, as our clients' needs evolve.

Of our total operational fleet of 99¹ vessels, 62 make up our core fleet, comprising AHTSVs, PSVs, MPSVs, ERRVs and MCVs as detailed in the table opposite. These vessel classes are considered 'core' as they represent the bulk of our strategic investment, owing to the specialised services they carry out. In 2017, we introduced a new vessel class – Module Carrying Vessels (MCVs) – as part of the Tengiz project. Two MCVs, *Topaz Amur* and *Topaz Chu*, became fully operational in 2017, going on charter six months ahead of schedule. The remainder of our fleet is made up of 11 crewboats/workboats, 23 barges and three tugs.

FLEET INVESTMENT

Our fleet investment criteria are strictly monitored, and are predominantly supported by long-term contracts with leading oil companies. In 2017, we invested US\$29m (excluding the Tengiz project) in fleet expansion and renewal.



"We work with our clients to ensure we meet their needs wherever they are. This may mean moving vessels between regions, adapting existing vessels or working with shipbuilders to develop brand-new configurations. Our goal is to allocate our fleet as effectively as possible and make smart investments where necessary."

Martin Helweg
Chief Operating Officer

As of 31 December 2017, we had 22 vessels either under construction, or awaiting activation for the Tengiz project, and five laid-up vessels. Vessels planned for launch in 2018 consist of: two AHTSVs (fleet expansion, scheduled Q2 2018); two MPSVs (fleet renewal, scheduled Q4 2018) and 18 MCVs (Tengiz project). As part of our ongoing fleet renewal process, we expect to dispose of a select set of assets during 2018, including the five laid-up vessels.

We have tools at our disposal to manage the scheduling of our fleet launches, to optimise costs and to match fleet requirements to market demand. Such flexibility is facilitated by the strength of our relationships with our shipbuilding partners. For example, we have purposefully postponed the launch of our two technically advanced MPSV/subsea vessels, *Topaz Tiamat* and *Topaz Tangaroa*, whilst we finalise details about commercial projects for these vessels. We also initiated a successful vessel swap with a shipbuilder to secure our two latest generation, diesel electric AHTSVs, which we expect to deploy soon after delivery.

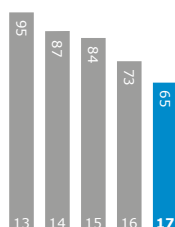
FLEET UTILISATION

Market turbulence throughout 2017 put pressure, once again, on our core fleet utilisation rate, with excess tonnage bringing down vessel day rates. In the longer term, we anticipate that demand and tonnage supply will even out: demand for OSVs is forecast to rise and vessel supply will be regulated, as it will be too expensive for many laid-up vessels to be put back into service.

However, during the year we were faced with severe competitive pressure, particularly in MENA and Africa where spot market pricing prevailed. In contrast, in Azerbaijan, we achieved a core fleet utilisation of 92%, which reflects our strategic focus on securing long-term contracts with leading oil companies.

CORE FLEET UTILISATION (%)

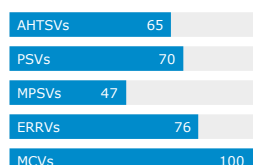
KPI



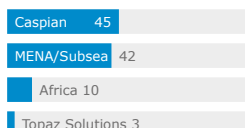
Why we have chosen this KPI

To measure the average operational uptime of our core fleet

CORE FLEET UTILISATION BY VESSEL TYPE (%)



CORE FLEET VESSELS BY DIVISION (%)



AVERAGE OSV AGE (YEARS)



The Topaz fleet² is approximately 8.8 years younger than the industry average

¹ Our total fleet comprises 121 vessels. This number includes 22 vessels under construction as of 31 December 2017, four of which were MCVs which had been delivered, but remained on standby rate/were not yet operational
² Topaz fleet includes newbuilds scheduled for delivery in 2018

BUSINESS REVIEW 2017 / FLEET PERFORMANCE

As the year progressed, our core fleet utilisation improved significantly in several regions, which bodes well for future performance. We have already seen an increased level of tendering activity, which triggered our decision to reactivate seven vessels from layup during 2017. This reduced the number of vessels in layup from 12 to five.

OPERATIONAL EXCELLENCE

The safety of our crew, clients and contractors on board our fleet remains our absolute priority, and this is reflected in our LTI-free environment of 26 months. In 2017, we continued our Self-Verification Programme (SVP) and on-board crew training. Operational Assurance Officers – teams of Fleet Masters and Chief Engineers – visit our vessels to ensure that Group policies are implemented safely and effectively. Where required they will coach crews to improve operational standards and raise awareness of our safety culture.

Our integrated fleet software system (NS5), which streamlines maintenance, drydocking, procurement and QHSSE from a single technology platform, has now been operational for a year and employees are fully trained on its use.

Importantly, NS5 has enabled the transition to a single operating standard, across all regions and vessel classes, offering greater transparency of data and benchmarking capabilities. We have already begun to reap the benefits. For example, the NS5 purchasing and inventory system has created a Group-wide purchasing system, through which we are able to establish a more accurate expenditure baseline, giving us greater negotiating power with vendors to reduce costs and improve service levels. It also provides valuable data on our technical performance.

PRIORITIES FOR 2018

- > Safe transition into the operational phase of the full Tengiz project fleet and achieving our targeted return on investment
- > Continue with Self-Verification Programme (SVP) to enhance operational performance utilising a scorecard system
- > Continue to manage fleet allocation prudently and flexibly, with a focus on releasing vessels 'on contract'
- > Leveraging our digital data systems to predict maintenance requirements on board our vessels.

THE BENEFITS OF A TEAM-BASED STRUCTURE



Topaz CEO with high-performing crew of Topaz Karzakkon.

As a continuation of our Self-Verification Programme, in 2017 we implemented a scorecard system to benchmark operational KPIs (e.g. HSE drills, audits and inspections, purchase order compliance, management visits) across vessels³ and operational teams. Fleet data, captured predominantly from NS5 software and our Management Vessel Visits (MVV) mobile app, is automatically fed into an online dashboard, used to monitor and improve performance.

The monthly scores are announced to the organisation, promoting greater accountability for operational performance, while harnessing lateral learning and competitive spirit. We continue to evolve the choice of metrics to ensure relevance to the business and continuous improvement.

³ Excludes barges and vessels in layup

OUR CORE VESSELS

				
30 AHTSVs	17 PSVs	9 MPSVs	4 ERRVs	2 MCVs
Anchor Handling Tug Supply Vessels	Platform Supply Vessels	Multi-Purpose Support Vessels	Emergency Response and Recovery Vessels	Module Carrying Vessels
Designed for anchor handling and towing offshore platforms, barges, production modules and other vessels. May also perform ordinary supply services and have additional equipment for firefighting, oil recovery and rescue duties.	Designed to transport supplies and equipment to and from offshore installations. May also be used to supply drilling equipment, drilling bulks, fluids and pipes.	Designed to support a range of offshore assets and equipment within the life of the field, and to support inspection, maintenance, repair, diving and subsea and topside construction activities.	Designed to provide safety support to offshore installations and typically equipped with daughter craft, fast-rescue craft, and firefighting and oil recovery facilities. May also carry out inter-field operations, towage, assistance and pollution control.	Designed to transport large modules and cargoes through narrow and shallow river systems.

As at 31 December 2017, our core fleet comprised 62 vessels, including laid-up vessels.

BUSINESS REVIEW 2017 / FINANCIAL PERFORMANCE

OVERVIEW

Our financial results continued to be impacted by the OSV sector challenges and are reflective of the third year of severe headwinds impacting our industry. Nevertheless, through continued focus on cost control and efficiency, we realised additional savings of US\$20m during the year, allowing us to remain competitive and keep our EBITDA margin close to 50%.

Despite the challenges, our Company has maintained a healthy business profile and on the back of this, we delivered unsatisfactory, yet stable, results for the year ended 31 December 2017.

REVENUE

Revenue for the period was US\$244m (2016: US\$282m), which represented a year-on-year decrease of 13%. Reported revenue decreases relate predominantly to:

- > Off-hire barges and tugs in Kazakhstan, which negatively affected revenue by US\$17m
- > A loss of revenue of US\$13m due to layups and pressure on vessel rates and utilisation in the MENA and Africa regions
- > Loss of revenue of US\$13m due to lower vessel utilisation in Azerbaijan as some projects came to an end
- > Off-hire/standby rates on two subsea vessels of US\$8m, which negatively affected revenue by US\$17m.



"Throughout the year, we focused on following our strategic priority to maintain a prudent financial policy, whilst maintaining operational excellence. Despite a third year of severe industry headwinds, we maintained a healthy business profile, which should play to our advantage as market conditions improve."

Jay Daga
Chief Financial Officer

However, our decrease in revenue was partially offset by US\$16m of revenue generated from the Tengiz contract, comprising two vessels becoming operational in the last quarter of 2017, six months ahead of schedule (US\$4m) and revenue generated from construction management of third-party vessels (US\$12m).

EBITDA

EBITDA decreased by US\$27m, or 19%, to US\$118m during the period (2016: US\$145m). The decrease in EBITDA is analysed as follows:

- > A reduction of US\$16m due to the off-hire of barges and tugs in Kazakhstan
- > A reduction of US\$8m due to layups and pressure on vessel rates and utilisation in the MENA and Africa regions
- > A reduction of US\$11m due to lower vessel utilisation in Azerbaijan as some contracts came to an end
- > A reduction of US\$9m due to off-hire/standby rate on two subsea vessels.

However, the reduction in EBITDA was partially offset by the Tengiz contract and overhead savings, which contributed US\$5m and US\$6m to EBITDA respectively.

We achieved a solid EBITDA margin of 48% for the year (2016: 51%), despite pressure on vessel rates.

NET PROFITS

Three exceptional items impacted our net profit, one being an impairment charge of US\$65.2m on vessels as a result of the challenging market conditions and excess supply in the market, which continued to drive down charter and utilisation rates.

REVENUE BY REGION (US\$m)

	12 MONTHS ENDED		% CHANGE
	DEC 2016	DEC 2017	
Caspian	206	187	-9%
MENA/Subsea	62	48	-26%
Africa	14	9	-36%
Total	282	244	-13%

EBITDA BY REGION (US\$m)

	12 MONTHS ENDED		% CHANGE
	DEC 2016	DEC 2017	
Caspian	139	119	-14%
MENA/Subsea	14	9	-36%
Africa	(1)	(5)	NM
Corporate/adjustments	(7)	(5)	NM
Total	145	118	-19%

OSV OPERATORS FACED FINANCIAL UNCERTAINTY. AT TOPAZ, WE SUCCESSFULLY REFINANCED OUR BONDS.

STRONG FINANCIAL PLATFORM

Unsustainable vessel utilisation and rates, and excessive leverage, have resulted in high levels of bankruptcies, restructuring and consolidation in the OSV industry. Whilst our latest financial performance is not yet where we want it to be, we have continued to fare better than our peers, demonstrating our ability to protect margins, conserve cash and reduce net debt. This has been achieved by rethinking the structure of our business, sticking to a prudent financial policy, and limiting capital expenditure, all while maintaining our operational excellence. Our stability and resilience have given our customers confidence, resulting in renewed contracts and new business.

SUCCESSFUL REFINANCING

In 2017, we successfully refinanced our bond, despite the difficult market conditions, and we reconfirmed our credit rating at B/B2. We have maintained a diversified approach to our sources of funding, which includes the robust support of our shareholders and long-term banking relationships. We continue to seek opportunities to access public and private debt markets to optimise our capital structure for future growth.

MARGIN PROTECTION

48%

EBITDA margin

CASH GENERATION AS % OF EBITDA

107%

WHAT SETS US APART

Resilient financial track record



BUSINESS REVIEW 2017 / FINANCIAL PERFORMANCE

Secondly, we impaired goodwill on our business in Qatar by US\$7.8m, which is now fully written off. Lastly, we incurred one-off costs and wrote off unamortised issuance costs relating to the redeemed Senior Notes (US\$19.1m).

DIRECT COSTS

For the year ended December 2017, our direct costs decreased by US\$9m, or 5% year on year, to US\$169m (2016: US\$178m).

We continued our relentless focus on cost optimisation, which allows us to operate in an efficient, yet safe manner. We negotiated with our suppliers successfully to achieve savings on maintenance, while the decrease in depreciation/drydock relates to an impairment charge, as detailed above. The increase in other costs is mainly due to costs associated with the Tengiz contract in relation to construction management of third-party vessels.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by US\$6m, or 18%, to US\$28m, (2016: US\$34m) owing to lower staff costs and efficiency initiatives implemented across operational offices.

FINANCE COSTS

Finance costs increased by US\$19m, or 32%, to US\$78m (2016: US\$59m) due to the one-off costs of US\$19m related to the refinancing of our Senior Notes.

INCOME TAX EXPENSE

Income tax expense decreased by US\$1m, or 6%, to US\$13m (2016: US\$14m).

CASH FLOW

Cash generation as a percentage of EBITDA for the 12 months ended December 2017 was 107% (2016: 112%).

The table on page 27 sets out a breakdown of cash flow for the year ended 31 December 2017.

Investing activities included US\$6m on expansion CAPEX and US\$23m on maintenance, mobilisation and upgrade CAPEX. Financing activities included a bilateral debt repayment of US\$30m, US\$2m for repayments of parent company debt in March 2017 and US\$46m of interest payments. In Q4 we drew US\$25m from our Revolving Credit Facility (RCF) for general liquidity purposes.

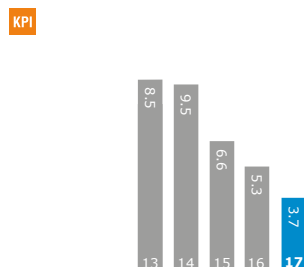
FINANCIAL COVENANTS AND BANKING LINES

We remained fully compliant with financial covenants during the period and proactively reset our covenants in December 2017 to provide additional headroom. We also successfully refinanced our Senior Notes via the issuance of US\$375m 9.125% Senior Notes due in 2022. Unutilised banking lines as of 31 December 2017 include an RCF of US\$75m expiring in April 2020.

OUTLOOK

Our 2017 results reflect yet another challenging year, during which we focused on achieving the right operating and capital structure, while maintaining our relationships with clients, partners and banks. We expect 2018 to also be challenging, but we are more positive than when we entered 2017. Oil markets continue to be buoyant with demand and supply close to an equilibrium. Projects are being approved across markets and sentiments are changing, with the oil supermajors posting significant, positive results in Q4 2017. The worst is considered behind us.

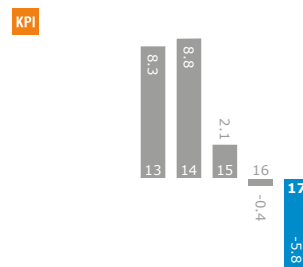
ADJUSTED RETURN ON NET ASSETS (RONA) (%)



Why we have chosen this KPI

To measure how efficiently we generate operating profits from our asset base

RETURN ON EQUITY (ROE) (%)



Why we have chosen this KPI

To measure how efficiently we generate net profits from our equity capital

BANK COVENANTS

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As at 31 December 2017, Topaz has complied with all financial covenants, as set out below:

FINANCIAL COVENANT	THRESHOLD	AS AT DEC 2017
Net interest-bearing debt to EBITDA	< 5.75	4.96x
Headroom	–	14%
Tangible net worth	> US\$275m	US\$313m
Headroom	–	14%
Free liquidity (in millions)	> US\$30m	US\$153m
Headroom	–	410%
EBITDA to DSCR	> 1.2	1.42x
Headroom	–	18%

BUSINESS REVIEW 2017 / FINANCIAL PERFORMANCE

CASH FLOW (US\$m)

	12 MONTHS ENDED		VARIANCE
	DEC 2016	DEC 2017	
EBITDA	145	118	-19%
Changes in working capital	17	8	-53%
Cash generated from operations	162	126	-22%
Cash conversion	112%	107%	-5PPT
Income tax paid	(18)	(15)	-17%
Interest paid	(55)	(70)	+27%
Net cash generated from operating activities	89	41	-54%
Net cash generated from Tengiz project	-	13	100%
Cash used in investing activities	(44)	(29)	-34%
Cash provided by financing activities	(52)	18	NM
Dividend paid to JV partner	(9)	(4)	-56%
Increase/(decrease) in cash and cash equivalents	(16)	39	NM

FINANCING

	MATURITY	INTEREST RATE	REPAYMENT	OUTSTANDING AS AT 31.12.17 US\$000
Conventional and Islamic facility ¹	7 years	3-month LIBOR + 2.75%	Quarterly with bullet repayment	296,225
Senior Notes	5 years	9.13%	Bullet	366,409
Total Topaz loans				662,634

¹ Includes US\$25m drawn from the RCF facility in Q4 2017.

CAPITALISATION (US\$m)

The following table sets out Topaz's consolidated cash, total indebtedness, shareholders' funds, total capitalisation and net debt at the year end.

	DEC 2016	DEC 2017	GROWTH DEC 16 V DEC 17
Cash and cash equivalents	39	78	39
Floating rate senior secured loans	300	296	(4)
Other loans/Senior Notes ¹	345	366	21
Subordinated shareholding funding	81	79	(2)
Total debt	726	741	15
Total equity	463	343	(120)
Total capitalisation	1,189	1,084	(105)
Net debt	687	663	(24)
Total debt/LTM EBITDA	5.0	6.3	-
Net debt/LTM EBITDA	4.7	5.6	-

¹ Recorded as per International Financial Reporting Standards (IFRS)

DIRECT COSTS (US\$m)

	12 MONTHS ENDED		VARIANCE
	DEC 2016	DEC 2017	
Crew cost	55	48	-13%
Technical maintenance	13	10	-23%
Depreciation/Drydock	73	68	-7%
Mobilisation charges	4	2	-50%
Others	33	40	21%
Total	178	169	-5%

BUSINESS REVIEW 2017 / DIVISIONAL PERFORMANCE

TOPAZ MARINE CASPIAN



Paul Jarkiewicz
Regional Director – Topaz Marine Caspian

Our largest division by revenue, EBITDA, vessel and employee count.

Country		
Azerbaijan	22	642
Kazakhstan	29	101
Russia	8	53
Turkmenistan	6	102
Total	65	898
Vessels laid up	0	

Market share (%)

51

by vessel numbers (PSVs >3,000 DWT and AHTSVs >5,000 BHP)

No. of vessels

30

on major long-term contracts

Revenue 2017 (US\$m)

187

77% of total revenue



EBITDA 2017 (US\$m)

119

Backlog (US\$m)

814

including initial contract period and client extension options

Operational summary

Overall core fleet utilisation in 2017 was recorded at 80% (2016: 88%), which is a creditable performance given industry conditions. In Azerbaijan, we achieved a strong core fleet utilisation rate of 92% (2016: 97%) on the back of solid contracts. In other areas, the utilisation rate declined due to lower spot market activity. However, with new business wins – as detailed below – we expect our rate to improve in 2018.

In 2017, we signed a US\$100m contract with Dragon Oil, to supply six vessels to support the development of Turkmenistan's offshore hydrocarbons. By year end, all vessels were successfully deployed and on hire. This contract is firm for five years and includes options for a two-year extension.

In Azerbaijan, we also won a strategically important contract with Total, leveraging our global relationship with a key customer. While our year-on-year core vessel utilisation did fall marginally, we are working in close collaboration with our clients to provide additional services and we also expect vessel activity levels to increase in 2018-2019, following recent exploration finds.

Market dynamics

Given its unique geography, the Caspian region has many natural and operational barriers to entry and favours incumbent operators (see also page opposite).

- > High physical barriers to entry especially for larger vessels
- > Market preference for long-standing relationships/contracts
- > Opportunities for OSV providers with wide variety of asset classes
- > Wealth of natural resources in the region, which attracts global energy players, who seek relationships with reputable and long-serving OSV operators.

Key customers

Topaz Marine Caspian continues to focus on long-term contracts with leading IOCs such as:

- > BP
- > Chevron
- > Dragon Oil
- > Ersai
- > NCOC
- > Saipem
- > Total.

"We won a number of important contracts with key IOCs during the year, illustrating our resilience in this region and maintaining our 'fortress position'. Topaz Marine Caspian accounts for over 75% of total revenue and has been instrumental in generating EBITDA and providing stability to the Group throughout the crisis."

Paul Jarkiewicz
Regional Director – Topaz Marine Caspian

Priorities for 2018

- > Maintain close dialogue with customers to support anticipated exploration and appraisal activities, particularly in Azerbaijan
- > Maintain high core fleet utilisation rate, particularly in relation to the Dragon Oil contract in Turkmenistan
- > Manage efficient operational intra-divisional handover of services from Topaz Marine Caspian to Topaz Solutions, as the division becomes fully independent.

FOR SOME IT'S A LOGISTICAL CHALLENGE. AT TOPAZ, IT'S OUR HOME MARKET.

SOURCE OF GROWTH

Our strong position in the Caspian has been a major contributing factor to our relatively stable performance during the industry crisis and, equally, is key to our future growth. Although it is a challenging region geographically, the Caspian benefits from comparatively low extraction costs and significant reserves. Today, it is home to four of the world's largest oil fields managed by international oil companies. With gas production forecast to grow by 50% over the next five years,¹ the region is entering its second offshore growth phase, characterised by 'mega projects' and increasing exploration activities, which will lead to further field developments after 2020.

HOME MARKET ADVANTAGE

We have operated in the Caspian for over 20 years, giving us a unique understanding of customer needs and of the challenging logistics that this landlocked region presents. With seasonal, dimensional and regulatory restrictions, vessel mobilisation is complex and costly, and these high barriers to entry favour incumbent service providers. Contracts are typically longer, which strengthens client relationships and opens up opportunities for further work together. With a market share of 51%² in this region, and recognised as an 'operator of choice' by leading energy producers, we are confident of benefiting further from our fortress position.

MARKET LEADER

51%

share of Caspian market

CORE FLEET UTILISATION

80%

in the Caspian

WHAT SETS US APART

Long-standing fortress position in important Caspian basin

¹ Westwood Global Energy Group

² By vessel numbers (PSVs >3,000 DWT and AHTSVs >5,000 BHP)

BUSINESS REVIEW 2017 / DIVISIONAL PERFORMANCE

TOPAZ MARINE MENA/SUBSEA



Robert Desai

Chief Commercial Officer/Regional Director – Topaz Marine MENA/Subsea

We manage our MENA and subsea operations jointly from Dubai in order to optimise overheads and synergies.

Country		
Qatar	4	103
Saudi Arabia	9	242
UAE	4	138
Subsea	3	107
Total	20	590
Vessels laid up	5	

Market share (%)

3

by vessel numbers (all PSVs and AHTSVs >5,000 BHP)

No. of vessels

12

on major long-term contracts

Revenue 2017 (US\$m)

48

20% of total revenue



EBITDA 2017 (US\$m)

9

Backlog (US\$m)

92

including initial contract period and client extension options

Operational summary

MENA

Under challenging conditions, we demonstrated our ability to win new, long-term contracts in 2017. In Dubai, we maintained our strong footprint, successfully renewing our contract with Dubai Petroleum Establishment. We also signed a new contract with existing client Saudi Aramco, to support offshore construction in western Saudi Arabia – a new market segment for Topaz and a contract which will almost double our fleet size there.

Our long-term contracts partially offset difficulties in the spot market and helped us achieve high overall vessel utilisation rates, with five vessels taken out of layup during the year. We are on track to add two highly flexible and modern diesel-electric AHTSVs to our MENA fleet in 2018. These state-of-the-art vessels will offer everyday towing and supply services, alongside specialised project work.

Many of the OSV operators who moved from the Far East into the region during the crisis are now in receivership or undergoing restructuring. Our reputation for having a low counterparty risk bodes well for future business with major operators, especially given improving demand in our region, notably in the EPCI and drilling markets.

Key customers

We continue to serve a wide range of NOCs and IOCs, including: Saudi Aramco, ADNOC Offshore, NPCC, ECS, Subsea 7, Qatar Gas, Saipem, Dolphin Energy, McDermott, Dubai Petroleum, Total, Occidental Petroleum and North Oil Company.

Subsea

We continued to expand our subsea activities during the year and streamline our fleet, with all three subsea vessels in operation in 2017.

Topaz Commander continued to work in the Arabian Gulf and the Mediterranean with international subsea and diving contractors and is currently deployed in the TANAP (Trans Anatolian Natural Gas Pipeline) project. This exemplifies the strategic importance of our support to major client operations – TANAP provides a crucial link to the Shah Deniz 2 project in Azerbaijan to deliver gas to Europe.

“During another tough year, we fortified existing operations and won business in a brand-new market. Towards the end of 2017, we saw an encouraging level of business enquiries across all phases of the energy lifecycle. As 2018 progresses, we remain confident of our ability to capitalise on this uptick in demand.”

Robert Desai

Chief Commercial Officer/Regional Director – Topaz Marine MENA/Subsea

In early 2018 *Topaz Captain* was moved to support subsea operations for clients in West Africa and we are in advanced-stage negotiations to launch *Topaz Tangaroa* and *Topaz Tiamat* on multi-year contracts.

Key customers

We continue to build a forward book with a variety of global EPCI contractors, including: McDermott, Subsea 7, Saipem, Fugro, Technip, Impresub, Horizon Geosciences, Ocean Floor Geophysics, ECS (EMAS Chiyoda Subsea 7), Lighthouse Geo and Benthic.

Market dynamics

- > Increased IMR work on ageing assets/ infrastructure
- > New drilling campaigns to take advantage of lower rig costs
- > Logistics solutions required to reduce transit times for materials
- > Uptick in subsea activities for IMR projects
- > Demand for low counterparty risk and newer-generation vessels.

Priorities for 2018

- > Maintain focus on delivering operational efficiency to clients
- > Take strategic decision regarding remaining five vessels in layup
- > Work with clients to offer and deliver bespoke vessel configurations that fulfil specific project needs and deliver cost efficiencies
- > Secure sustainable deployment of our new subsea vessels.

BUSINESS REVIEW 2017 / DIVISIONAL PERFORMANCE

TOPAZ MARINE AFRICA



Tom Knudsen
Regional Director – Topaz Marine Africa

A rapidly growing division with significant backlog with industry leaders such as ExxonMobil and Chevron.

Country		
Nigeria	7	253
Angola	0	1
Dubai	0	2
Total	7	256
Vessels laid up	0	

Market share (%)

2

by vessel numbers (all PSVs and AHTSVs >5,000 BHP)

No. of vessels

6

on major long-term contracts

Revenue 2017 (US\$m)

9

4% of total revenue



EBITDA 2017 (US\$m)

(5)

Backlog (US\$m)

55

including initial contract period and client extension options

Operational summary

The first half of 2017 was characterised by very limited activity and poor utilisation across the region, with many pending tenders cancelled or postponed owing to the protracted low oil price. At very best, existing tonnage contracts were extended for short-term periods only or renegotiated in line with the falling number of active offshore rigs.

However, Nigeria saw a surge in activity in the latter half of 2017, on the back of higher, more stable oil prices and improved national trading conditions influenced by NNPC.¹ Major oil companies resumed contracting for long-overdue offshore oil platform and subsea maintenance projects, presenting opportunities for Topaz.

With a young fleet of vessels, a solid reputation for operational excellence, and our willingness and ability to invest in a range of vessel enhancements, including electronic fuel monitoring systems, the demand for Topaz tonnage increased significantly. We mobilised additional vessels into Nigeria and, by the end of 2017, all seven vessels were deployed under contract, with two further vessels moving into position in connection with further business wins.

In support of the Nigerian government's drive for local content, Topaz has teamed up with Team Offshore Nigeria Limited (TONL), a 100% locally-owned company. Through this collaboration, Topaz provides OSV expertise to the local market through long-term bareboat charter agreements, with TONL operating the vessels flying the Nigerian flag. TONL's intention is to expand its fleet ownership over time. Around 90% of officers and crew are Nigerian nationals, as are the bulk of the onshore staff. This mirrors a similar operational set-up in Angola, where the 100% locally-owned company, Topaz Marine Angola Limited, enjoys access to the Topaz fleet via bareboat agreements in order to cover the growing vessel requirements for the Angolan market.

In Angola, poor market conditions effectively stalled business developments in this region throughout the year.

While the improved fleet utilisation rate in Q4 came too late to make a significant impact on 2017 performance, it set an excellent foundation for improved financial and operational results leading into 2018. In early 2018, we are due to expand our fleet further with two large

"With all nine vessels on contract in Africa in Q1 2018, two new Platform Supply Vessels scheduled to be delivered in May and selective expansion into clearly-defined market segments and geographies, we expect Topaz Marine Africa to move into a year of profitable growth in 2018."

TOM KNUDSEN

Regional Director – Topaz Marine Africa

new-build PSVs, which are currently being evaluated by several IOCs for their projects in West Africa.

Key customers

During 2017, Topaz Marine Africa strengthened its relationships with major oil companies operating in the region, which resulted in new business with ExxonMobil, Chevron and Total among others. Contracts are established either directly, through local contractors, or in partnership with offshore service companies such as Heerema, Technip, Subsea 7 and others.

Market dynamics

- > Oil price stabilisation at higher level triggering backlog of maintenance projects
- > Evidence of new oil and gas exploration activities, with successful finds in Senegal and Mauritania
- > Nigerian operators taking advantage of improved NNPC-led conditions
- > Tender activity in Angola strengthening from end of 2017
- > Geopolitical situation improving, with conclusion of the offshore border dispute between Ghana and Ivory Coast and stable presidential elections in Angola.

Priorities for 2018

- > Focus on full utilisation of existing fleet in connection with longer contract tenures
- > Successful delivery and mobilisation of two new-build PSVs in May 2018
- > Controlled addition of vessels to the fleet within carefully defined segments
- > Selective geographical expansion beyond current key markets in Nigeria and Angola, where investment criteria are met.

¹ Nigerian National Petroleum Corporation

BUSINESS REVIEW 2017 / DIVISIONAL PERFORMANCE

TOPAZ SOLUTIONS



Alex Drozdov
Director – Topaz Solutions

Topaz Solutions manages all activities related to the Tengizchevroil Future Growth Project – one of the largest contracts secured in Topaz's history.

	2017	2018 projection
Onshore employees	7	>40
Offshore employees	37	>340

Total employees  **44** **>380**

Vessels  **2** **20**

No. of vessels

20

on major long-term contract¹

Backlog (US\$m)

553

including initial contract period and client extension options

Key project partners

As part of the TCO contract, Topaz Solutions collaborates closely with four key partners – each a leader in their respective fields:

- > Tengizchevroil LLP (TCO)
- > Blue Water Shipping (BWS)
- > Kazmortransflot (KMTF)
- > Vard Group



About Topaz Solutions

Topaz Solutions manages all activities related to the Tengizchevroil Future Growth Project (TCO-FGP) – one of the largest contracts secured in Topaz's history. The contract entails the design, build, mobilisation and operation of 17 new Module Carrying Vessels (MCVs) to navigate the Russian Inland Waterways System (RIWS) and three wider MCVs for the Caspian Sea. These speciality vessels will transport modules from transshipment hubs in Europe to the Tengiz oil field in Kazakhstan.

In early 2018, as the project moves fully into its operational phase, the reporting status of Topaz Solutions will change to a stand-alone division.

Operational summary

In late 2017, six months ahead of schedule, *Topaz Amur* and *Topaz Chu* safely completed their maiden voyages from transshipment hubs in Finland and Bulgaria, respectively, to the Caspian Sea. We also delivered a further four vessels, also ahead of schedule. From both routes, the transit time through the RIWS proved to be safer, faster and more cost-effective than traditional tug and barge options. This unique marine logistics solution offers significant potential, not only to the energy industry, but also to other heavy goods industries, to operate along other complex waterway systems around the world.

Two of the wider MCVs were also completed and transported to the Caspian Sea in 2017, ready for reassembly and deployment in partnership with Kazmortransflot. In Q1 2018 the construction of a further five vessels was completed in shipyards in Vung Tau, Vietnam, and Brăila and Tulcea in Romania.

OPERATING A NEW VESSEL CLASS

In 2017, we carried out specialised competency training for our Tengiz crews, with all deck officers (Master, Chief Officer and 2nd Officer) completing simulator training at two maritime academies. Both crews focused on key competency areas such as ship manoeuvring and handling emergency scenarios. For the Caspian crew, simulator models were upgraded to reflect the vessels' bridge configuration, making the exercise more realistic. In 2018, all personnel will be trained on Tengiz-specific operational plans and procedures.

"Our purpose-built Module Carrying Vessels are redefining logistics capabilities in the Russian Inland Waterways System by raising safety standards and cutting transit times. In 2017, we achieved all project goals, delivering the first six vessels on time and successfully completing two test voyages. We have moved on from the 'proof of concept' stage and will become fully operational in 2018."

Alex Drozdov
Director – Topaz Solutions

Market dynamics

- > More positive oil price trends increasing oil project activity in the Caspian region
- > Greater project activity anticipated in inland energy and petrochemical sectors in Central Asia, accessed via Caspian ports
- > Numerous projects in the pipeline in industrial regions in the Ural, Tatarstan and South Volga, accessed via RIWS.

Priorities for 2018

The scale of Topaz Solutions will be transformed in 2018, following a significant ramp-up as the full fleet moves into operation.

- > Safe delivery of the remaining MCVs, on schedule
- > Complete crewing and competency training in H1 2018
- > Fully execute TCO cargo delivery plans safely and on time
- > Ensure 'winterisation' of MCV fleet
- > Apply lessons learned from first MCV navigation season.



¹ Of which three are managed

OSV FLEETS CONTINUE TO BE LAID UP. AT TOPAZ, WE ARE ADDING STATE-OF- THE-ART VESSELS TO OUR FLEET.

KEEPING OUR FLEET IN SERVICE

Despite the fall in OSV demand, around 90% of our fleet remained in active service during the crisis. We own and operate a modern fleet of 121 vessels (including 18 vessels under construction) with an average age of 8.2 years, which is approximately 8.8 years younger than the industry average. Consequently, our vessels require less maintenance and refurbishment work than older vessels, resulting in less downtime, greater reliability and better fuel efficiency. Combined with our experienced crews and strong operational and safety track record, our fleet management approach has been instrumental in reducing the impact of lower global vessel utilisation rates on our business.

INVESTING IN OUR FLEET

Our versatile fleet enables us to cater to a wider range of clients' development and production needs. In recent years, we have upgraded many of our vessels by investing in fit-for-purpose technology platforms. By digitising some of our on-board processes, we have pushed more decision-making power to our skilled crew, who are closer to the needs of our clients. This allows us to be more proactive in identifying and fixing problems and more cost-effective in our operations. Alongside existing fleet developments, we have developed – jointly with our partners – the exacting vessel specifications for two new subsea vessels and 20 Module Carrying Vessels (MCVs). These vessels have expanded our customer service offering, operating capabilities and geographical reach.

NET BOOK VALUE (US\$m)

989

as at 31 December 2017

PLANNED LAUNCHES 2018

22

new vessels either under construction, or awaiting activation for the Tengiz project

WHAT SETS US APART

Modern and versatile fleet

➤ See pages 22 and 23

CORPORATE GOVERNANCE

Creating sustainable value for our stakeholders requires that we adopt and demonstrate strong governance principles throughout our business, from Board-level down.

CORPORATE GOVERNANCE STATEMENT

Our corporate governance approach at Topaz Energy and Marine is aimed at achieving high levels of transparency, accountability and business propriety, with the ultimate goal of increasing long-term value for shareholders, while safeguarding the needs and interests of our major stakeholders.

As a subsidiary of Renaissance Services SAOG, Topaz is committed to adopting best corporate governance practices and follows the guidelines on corporate governance – as practised by our parent company, Renaissance Services SAOG, a publicly-traded company on the Oman Stock Exchange – and as set out in the Omani Code of Corporate Governance for Public Listed Companies (the 'Code'). The Code was issued in Arabic in July 2015, in English in December 2015, and updated in December 2016, by the Capital Market Authority (CMA), which provides guidance for companies listed on the Muscat Securities Market (MSM) in the Sultanate of Oman. No penalties or strictures have been imposed upon Topaz during the past three years by the MSM, CMA or any other regulatory authority.

Details of the way we work are presented in the following corporate governance report for the period under review.



Samir J. Fancy, Chairman

MAIN PILLARS OF CORPORATE GOVERNANCE (CMA)



GOVERNANCE PHILOSOPHY

As Topaz's mission is to be one of the best-run businesses in its industry, it is committed to higher corporate governance standards than legally required. Topaz views the Code as a minimum framework for the governance of a business, believing that the best way to ensure long-term value creation for shareholders and other stakeholders is to follow and build upon the Code principles through a values-based performance culture (as set out in the 'Topaz Way') and stringent ethical behaviour (as set out in the Topaz Code of Business Conduct).

The 'Topaz Way'

The 'Topaz Way' sets out the corporate values that our employees are expected to adopt and embrace. We are currently updating the 'Topaz Way' to make it easier to relate to and plan to communicate the new version across the Group.

Topaz Code of Business Conduct

The Topaz Code of Business Conduct (COBC) sets the standards and clarifies the procedures and rules for running our day-to-day operations. It provides practical guidance for dealing professionally with business partners,

customers, employees and the communities in which we operate, and includes the promotion of personal integrity and respect for the environment. Understanding the COBC is a mandatory part of our employee induction process. It is accessible to all employees on the intranet and can be downloaded from the corporate governance section of our website: <http://www.topazworld.com/en/>

TOPAZ BOARD OF DIRECTORS

Meeting frequency

At least four times a year.

Board members

Chairman, five Non-executive Directors, one of whom is independent, and one Executive Director.

The biographies of Topaz Board members can be found on pages 38 to 39.

The Board has the authority, and accountability to shareholders, to ensure that the Group is appropriately managed and achieves agreed strategic objectives. The Board discharges those responsibilities by supervising overall budgetary planning and corporate strategies. The Board reviews the Group's internal controls and risk management policies and approves its governance structure and COBC. The Board appraises and approves financing, investment and contractual decisions in excess of defined thresholds as per Approval Protocols. In addition to these items, the Board evaluates and monitors the Group's performance as a whole. This includes:

- > Engaging at Board meetings with the CEO and other members of the Corporate Executive Committee on Topaz's financial and operating performance and external issues material to Topaz's prospects
- > Evaluating progress towards achievement of the Group's financial and business objectives and annual plans
- > Monitoring of key risks facing the Group, through reports received directly or from various committees.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND ORDINARY MEETING ATTENDANCE

NAME	TITLE	INDEPENDENT	MEETINGS HELD 2017 ¹	MEETINGS ATTENDED 2017
Samir J. Fancy	Chairman	No	5	5
Stephen R. Thomas, OBE	Shareholder, Non-executive Director	No	5	5
Philip Gore-Randall	Non-shareholder, Non-executive Director	Yes	5	5
Ali Bin Hassan Sulaiman	Shareholder, Non-executive Director	No	5	4
Taimoor Labib	Shareholder, Non-executive Director	No	5	5
René Kofod-Olsen	Executive Director	No	5	5

1 In addition, the Board convened via phone conference on select occasions to discuss matters primarily related to the refinancing of the Company's bonds.

Nilesh Gavankar joined the Topaz Board in February 2018 and is therefore not included in the above Board composition. Mr. Gavankar is a Non-shareholder, Non-executive Director who is considered independent.

Ordinary Board meetings were held on the following dates: 17 January, 16 February, 25 April, 7 August and 17 October 2017.

The Company does not conduct independent Annual General Meetings.

AUDIT COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME	TITLE	INDEPENDENT	MEETINGS HELD 2017	MEETINGS ATTENDED 2017
Philip Gore-Randall (CHAIR)	Non-executive Director	Yes	5	5
Ali Bin Hassan Sulaiman	Non-executive Director	No	5	4

REMUNERATION AND NOMINATION COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME	TITLE	INDEPENDENT	MEETINGS HELD 2017	MEETINGS ATTENDED 2017
Ali Bin Hassan Sulaiman (CHAIR)	Non-executive Director	No	2	2
Philip Gore-Randall	Non-executive Director	Yes	2	2
Taimoor Labib	Non-executive Director	No	2	2

The Board also has overall responsibility for succession planning for the CEO and other senior executives, and takes an active part in the nomination of members of the Corporate Executive Committee. The Board has given the CEO broad authority to operate the business of the Group and the CEO is accountable for, and reports to the Board on, business performance.

In 2017, the Board focused in particular on:

- > Ensuring continued business success during a period of significant industry turmoil
- > Supporting management in refinancing our senior unsecured bond
- > Refining our risk management framework
- > Laying the foundation for strategic decision-making in 2018-2019 around the ownership structure of the Company.

CHAIRMAN AND CEO

A clear separation is maintained between the responsibilities of the Chairman and those of the CEO. The Chairman is responsible for leadership of the Board and creating the conditions for overall Board and individual Director effectiveness. The CEO is responsible for overall performance of the Group, including arranging effective day-to-day management controls over the running of the Group.

BOARD COMMITTEES

Topaz's Board of Directors is assisted by the Audit Committee and the Remuneration and Nomination Committee. In addition, the Company's CEO is assisted by the Corporate Executive Committee.

AUDIT COMMITTEE

Meeting frequency

At least four times a year.

Committee members

Philip Gore-Randall (Chair and financial expert) and Ali Bin Hassan Sulaiman.

Overview of Audit Committee's terms of reference

The Audit Committee assists the Company's Board in its governance and oversight by:

- > Reviewing the performance and independence of the external auditor and making recommendations regarding the appointment and scope of the auditor
- > Monitoring and reviewing the integrity of financial statements, including setting and ensuring effectiveness of internal audit controls
- > Reviewing financial reporting and encouraging best practices.

CORPORATE GOVERNANCE

- > Reviewing the suitability of accounting policies adopted by the Group and any recommended changes
- > Reviewing operational and compliance risk in the Group and approving recommendations on the application of resources to mitigate such risks
- > Overseeing the Group's internal and external audit functions.

The Audit Committee is also responsible for the ongoing development and coordination of risk management, as well as the consolidation and reporting of all risk management information. It provides support and guidance on the application of risk management and controls assurance across the Group. The Audit Committee assists in the appointment of the external auditor in consultation with the parent company, which uses the same auditor and, as a publicly listed company in Oman, is required by the CMA to rotate its external audit firm every four years.

In 2017, the Audit Committee focused on the following areas: Risk management framework, supporting management through the bond refinancing, and liquidity management.

REMUNERATION AND NOMINATION COMMITTEE

Meeting frequency

At least once a year.

Committee members

Ali Bin Hassan Sulaiman (Chair), Philip Gore-Randall and Taimoor Labib.

Overview of Remuneration and Nomination Committee's terms of reference

The Remuneration and Nomination Committee assists the Company's Board in its governance and oversight by:

- > Rewarding management in line with overall business objectives, ensuring that executive and management remuneration supports the broader objectives and goals of the Group
- > Determining the appropriate policies and practices for all aspects of executive and management remuneration
- > Taking an active part in the nomination of members of the Corporate Executive Committee.

Executive compensation

Total compensation paid to the members of our Board of Directors and senior management in the year ended 31 December 2017 amounted to US\$3.6m.

CORPORATE EXECUTIVE COMMITTEE (CEC)

Meeting frequency

Weekly to discuss overall Group performance and once every quarter with senior managers of the Group's business units and shared service functions to discuss Group and individual business unit performance and future plans. A subset of the CEC meets senior managers of the Group's business units on a monthly basis to discuss performance.

Committee members

Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Commercial Officer and Chief Human Resources Officer. Names and biographies of our Corporate Executive Committee members can be found on page 40.

Overview of CEC's terms of reference

- > Monitoring business unit performance and future plans
- > Making policy decisions and strategic decisions within the direction set by the Board.

BOARD INFORMATION AND PROFESSIONAL DEVELOPMENT

As part of the annual Board evaluation process, the Board members expressed their satisfaction that the information provided in the Board papers is of the right quality, format and length to enable comprehensive understanding of all the relevant issues concerning matters under consideration. They were similarly satisfied that the Board is kept informed of all areas of major importance to the Group. The Board is also kept informed through monthly reports.

All Directors are made aware that they may take independent professional advice at the expense of the Group in the furtherance of their duties. Ongoing support and resources are provided to Directors to enable them to extend and refresh their skills, knowledge and familiarity with the Group. Professional development and training is provided in three complementary ways:

- > Regular updating on changes and proposed changes in laws and regulations affecting the Group or its businesses
- > Arrangements, including site visits, to ensure Directors are familiar with the Group's operations
- > Opportunities for professional and skills training.

CHANNELS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The CEO, CFO and Head of Strategy and Corporate Planning have regular one-to-one calls/meetings with shareholders and debt investors. Financial results are also provided monthly to shareholders. Press releases, presentations and call transcripts from our quarterly results and other investor relations activities are circulated directly to recipients registered on the Company's distribution list and can be downloaded from our website: www.topazworld.com/en/investors

INVESTOR RELATIONS OVERVIEW 2017

- > **March:** FY 2016 financial results, conference call
- > **May:** Q1 2017 financial results, conference call
- > **August:** H1 2017 financial results, conference call
- > **September:** Goldman Sachs 2017 EMEA Leveraged Finance Conference
- > **November:** 9M 2017 financial results, conference call, and HSBC Leveraged Credit Conference.

MARKET PRICE DATA

Following the refinancing of the Company's bond in July 2017, the new Notes have been trading at a stable level above par, ending the year at 103.9, reflecting investor confidence in our business model and strategy.

STATUTORY AUDITOR

Topaz shares its auditor with its parent company (Renaissance Services SAOG), which, as a publicly listed company in Oman, is required by the CMA to rotate its external audit firm every four years. In 2016, following a detailed process, we appointed Deloitte & Touche (M.E.) ('Deloitte') as our external auditor and have, in 2017, continued our good working relationship with this firm.

PROFESSIONAL PROFILE OF STATUTORY AUDITOR

Deloitte is among the Middle East's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with more than 3,000 partners, directors and staff. It is a Tier 1 Tax advisor in the Gulf Cooperation Council region since 2010 (according to the International Tax Review World Tax Rankings).

CORPORATE GOVERNANCE

TOPAZ SHAREHOLDER STRUCTURE

As of 31 December 2017, the following entities held direct and indirect interests in the share capital of the Company:

> Renaissance	86.5%
> Standard Chartered ¹	13.5%

ABOUT OUR SHAREHOLDERS

Renaissance Services SAOG ('Renaissance') is an Omani multi-national company offering strategic facilities management solutions for businesses in a wide range of sectors and geographic regions. Renaissance has been listed on the Muscat Securities Market (MSM) in the Sultanate of Oman since 1996 and has a market capitalisation of approximately 109.1m Omani Rials as of 31 December 2017.

In addition, Standard Chartered Private Equity Limited ('SCPE') and its affiliate, Standard Topaz Limited ('STL'), each hold a minority position in the Company, together totalling 13.5%. SCPE is the corporate private investment arm of Standard Chartered PLC, a leading international bank, which is listed on the London Stock Exchange.

Shares held by Directors and senior management

As of 31 December 2017, 6.9% of Renaissance's shares were owned by Directors or officers of Topaz directly.

INTERNAL CONTROL AND RISK MANAGEMENT

The Topaz Board is responsible for internal controls within Topaz and for reviewing their effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposal, for maintaining proper accounting records and for ensuring the reliability of financial information used within the business or for publication. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and therefore can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures established by the Board of Directors to provide effective internal control within Topaz and in accordance with best practices of internal control are listed below.

Topaz key internal control procedures

- 1 Authority to operate the various subsidiaries, as well as responsibilities for capital expenditure and for financial performance against plans, is defined as per limits set by the Board of Directors of Topaz.
- 2 Sub-delegation of authority from the Board to individuals requires these individuals, within their respective delegation, to maintain a clear and appropriate apportionment of significant responsibilities, and to oversee the establishment and maintenance of systems of controls appropriate to the business, as defined by the Management Authority Matrix.
- 3 The appointment of executives to the most senior positions in the Group requires the approval of the Board of Directors.
- 4 Systems and procedures are in place in Topaz to identify, assess and prioritise the major risks.
- 5 Operational risks are managed by each key operational function and consolidated under an Enterprise Risk Management approach at the corporate level. This approach assists in assessing, prioritising and managing risks proactively.
- 6 Exposure to fraud risks and COBC violations is monitored through the Ethics Line, a phone line and electronic mailbox enabling anonymous reporting of violations of the COBC, whistle-blowing etc., supported by the HR Director and the Head of Legal.
- 7 Periodic strategic and business plans, along with rolling forecasts, are prepared for the business as a Group and for its support functions. Rolling forecasts are prepared and adopted by all Topaz business units, and set out the key business initiatives and the likely financial effects of those initiatives.
- 8 Centralised functional control is exercised over all computer system developments and operations. Common systems are employed for similar business processes wherever practicable.
- 9 In addition, functional management at the Group's head office is responsible for setting policies, procedures and standards in the following areas of risk: liquidity, operational, commercial, information technology, insurance, accounting, tax, legal and regulatory compliance, human resources and communication.
- 10 Policies to guide subsidiary companies and management at all levels in the conduct of business to safeguard the Group's reputation are established by the Corporate Executive Committee.
- 11 The internal audit function, which is centrally controlled at the parent company, monitors the effectiveness of internal controls across the whole of Topaz. The work of the internal audit function is determined by a risk-based approach. The head of this function reports to the Topaz Audit Committee.

¹ Standard Chartered Private Equity Limited and its affiliate, Standard Topaz Limited, collectively owned 13.5% of the Company

BOARD OF DIRECTORS



SAMIR J. FANCY
CHAIRMAN

Strengths and experience

Samir has over 30 years of Directorship experience across a range of sectors, including banking, financial investment, energy and facilities management. He has been recognised externally for his entrepreneurship skills. He is the founder of the Oman Chapter of The Young Presidents Organisation.

Other current appointments

- > Chairman and Founder of Renaissance Services SAOG (Topaz's parent company)
- > Chairman of Tawoos Group
- > Director and founding shareholder of Samena Capital and Chairman of its Executive Committee



RENÉ KOFOD-OLSEN
CHIEF EXECUTIVE OFFICER

Strengths and experience

René has over 23 years of experience in the marine industry, having worked in the A.P. Moller-Maersk Group and as CEO of Svitzer Asia, Middle East and Africa. He has held several leadership roles across a variety of multi-cultural organisations and countries. He has also completed an advanced management programme at Harvard Business School.



STEPHEN R. THOMAS, OBE
NON-EXECUTIVE DIRECTOR

Strengths and experience

Stephen has a wealth of international experience, originally working with Grand Metropolitan Group plc. He has served as a board member of the Oman Society for Petroleum Services (OPAL) and as a board member of National Hospitality Institute SAOG. He has been with what is today Renaissance Services SAOG since 1988. In 2010, he was appointed to the Order of the British Empire (OBE) for services to business abroad and services to the community in Oman.

Other current appointments

- > CEO of Renaissance Services SAOG (Topaz's parent company) since 1998



TAIMOOR LABIB
NON-EXECUTIVE DIRECTOR



Strengths and experience

Taimoor has over 20 years of direct private equity and M&A experience across a wide range of industries and geographies, including deep relationships with leading family groups, regional regulators, sovereign wealth funds and limited partners. He began his career with Bear Stearns (New York) and The Carlyle Group (Washington, DC) and holds a Bachelor of Science degree from Carnegie Mellon University.

Other current appointments

- > Head of Africa and Middle East at Standard Chartered Private Equity
- > Sits on numerous boards across Africa and Middle East

BOARD OF DIRECTORS



**ALI BIN HASSAN
SULAIMAN**
NON-EXECUTIVE DIRECTOR

R Chair **A**

Strengths and experience

Ali has over 25 years of global management experience in a variety of sectors. He was the Founder of Ali and Abdul Karim Group, a manufacturing and services group with interests in the oil and gas, property development, FMCG consumer goods, and wireless networking sectors.

Other current appointments

- > Deputy Chairman of Renaissance Services SAOG (Topaz's parent company) since 2010
- > Director of Renaissance Duqm SAOC
- > Director of Majan Glass Manufacturing Co SAOG



PHILIP GORE-RANDALL
NON-EXECUTIVE DIRECTOR

R **A** Chair **I** **F**

Strengths and experience

Philip is a Chartered Accountant with extensive international experience at a senior level in large organisations, including HBOS plc, Aon UK and Aon Risk Services. He spent the first 25 years of his career at Andersen, becoming a Managing Partner and COO for the worldwide practice. He has an MA from Oxford University.

Other current appointments

- > Chairman of Fircroft Engineering, Equiom Holdings, RAK Logistics, Forensic Risk Alliance Group
- > Director and Executive Committee Member of Samena Capital and Chairman of its Audit and Compliance Committee and Remuneration Committee
- > Audit Committee Expert, RAK Ceramics
- > Audit Committee member of RAK Free Trade Zone



NILESH GAVANKAR
NON-EXECUTIVE DIRECTOR

I

Strengths and experience

Nilesh is a Chartered Financial Analyst (USA) and a Chartered Accountant (India). He has over 20 years of investment banking experience, having held senior positions at Bank Muscat SAOG since 1997. Nilesh built teams and developed business across investment banking, advisory structuring, asset management and private equity and has been heavily involved in strategy and M&A.

SUMMARY OF BOARD CHANGES 2017-2018

Topaz Board members as at the date of this Annual Report and Accounts are shown above. Please note that Sunder George served as Non-executive Director up to 29 March 2017 of the period under review. As reported in last year's Annual Report and Accounts, changes made to the Omani Code of Corporate Governance, which affect Topaz's parent company Renaissance Services SAOG ('Renaissance'), mean that a director will be considered 'non-independent' if he/she also serves as a director on any subsidiary board. In order for the Renaissance Board to follow best practice governance guidelines in relation to director independence, Sunder George resigned from the Topaz Board.

Taimoor Labib has served as a member of Topaz's Remuneration Committee since March 2017, following the retirement of Stephen Thomas from this post.

In February 2018, Nilesh Gavankar joined the Topaz Board as a second independent Non-executive Director. This appointment reinforces Topaz's commitment to move voluntarily towards best practice corporate governance.

BOARD COMPOSITION

Chairman	1
Shareholders, non-executive Directors	3
Non-shareholders, non-executive Directors	2
Executive Directors	1

> Page 35

NATIONALITY

American	1
British	2
Danish	1
Indian	1
Omani	2

KEY

R Remuneration and Nomination Committee member **A** Audit Committee member **I** Independent Director **F** Financial expert

SENIOR MANAGEMENT



Corporate Executive Committee: from left to right Robert Desai, Jay Daga, René Kofod-Olsen, Graeme Lindsay and Martin Helweg

RENÉ KOFOD-OLSEN CHIEF EXECUTIVE OFFICER

Joined Topaz	2012
Years with Topaz	5
Years of experience	24
Previous roles at	
A.P. Moller-Maersk	

Strengths and experience

- > Deep knowledge of the marine industry
- > Former CEO of Svitzer Asia, Middle East and Africa, responsible for a fleet of 130 vessels operating in 17 countries
- > Knowledge of multi-cultural organisations
- > M&A investments, integration experience and restructuring
- > Global HR experience

ROBERT DESAI CHIEF COMMERCIAL OFFICER AND REGIONAL DIRECTOR – TOPAZ MARINE MENA/SUBSEA

Joined Topaz	2009
Years with Topaz	10
Years of experience	15

Strengths and experience

- > Deep knowledge of Topaz business across various disciplines, including commercial, corporate planning and investor relations
- > Relevant industry and capital market projects experience

MARTIN HELWEG CHIEF OPERATING OFFICER

Joined Topaz	2017
Years with Topaz	1
Years of experience	21
Previous roles at	
A.P. Moller-Maersk	

Strengths and experience

- > International oil and gas industry experience
- > Finance and leadership roles in large-scale marine operations and offshore growth projects
- > Relationship-building with global oil and gas clients

GRAEME LINDSAY CHIEF HUMAN RESOURCES OFFICER

Joined Topaz	2018
Years of experience	21
Previous roles at	
TAQA, Suncor Energy/Petro Canada	

Strengths and experience

- > Broad HR, transformational and cost-efficiency experience across energy sector including upstream, downstream and power utilities
- > International experience in EMEA, South America and North America
- > Extensive M&A experience

JAY DAGA CHIEF FINANCIAL OFFICER

Joined Topaz	1999
Years with Topaz	18
Years of experience	26
Previous roles at	
Moshin Haider Darwish LLC, Hindustan Gas & Industries Ltd, PwC	

Strengths and experience

- > Strong financial knowledge, including raising capital, M&A and capital structure
- > Deep knowledge of key Topaz businesses

REGIONAL MANAGEMENT

PAUL JARKIEWICZREGIONAL DIRECTOR – TOPAZ MARINE
CASPIAN

Joined Topaz 2013

Years with Topaz 5

Years of experience 30

Previous roles at
ESNAAD-ADNOC Group, Edison Chouest
Offshore, Tidewater**Strengths and experience**

- > Operational and general management in multi-cultural environments
- > Robust operational and technical background with blue-chip OSV operators
- > Deep knowledge of OSV and subsea operations
- > Master Mariner, background in shipping and logistics

TOM KNUDSENREGIONAL DIRECTOR – TOPAZ MARINE
AFRICA

Joined Topaz 2015

Years with Topaz 3

Years of experience 33

Previous roles at
A.P. Moller-Maersk**Strengths and experience**

- > Experience across a number of disciplines in the maritime industry including strategy, start-ups, restructuring, business development and general management
- > Deep knowledge of emerging markets and culture through leadership positions in Eastern Europe, India and Africa

ALEX DROZDOV

DIRECTOR – TOPAZ SOLUTIONS

Joined Topaz 2018

Years of experience 24

Previous roles at
Damco (Maersk Group),
Agility Logistics**Strengths and experience**

- > Experienced industrial logistics specialist with deep knowledge of CIS, pan-European, Asian and African markets
- > Former CEO with strong team-building skills and track record of successful new business development expansion, M&A and turnaround projects

CORPORATE TEAM

MORTEN JORGENSENHEAD OF STRATEGY AND
CORPORATE PLANNING

Joined Topaz 2017

Years of experience 20

Previous roles at
Maersk Oil, Bain & Company,
Maersk Line**EIRIN INDERBERG**

HEAD OF LEGAL

Joined Topaz 2016

Years of experience 23

Previous roles at
Polarcus Limited, Oslo Stock
Exchange, Wikborg Rein**KRIS VEDAT**

HEAD OF IT

Joined Topaz 2015

Years of experience 18

Previous roles at
United Arab Shipping
Company**YUNUS KARODIA**

FINANCE DIRECTOR

Joined Topaz 2018

Years of experience 19

Previous roles at
Petroserv Group,
Murray & Roberts Holdings**SHAHROOZ KASHANI**HEAD OF TENDERING
AND PROPOSALS

Joined Topaz 2017

Years of experience 19

Previous roles at
Ceona, Reef Subsea,
DeepOcean**BAB REIJNTJES**HEAD OF BUSINESS
DEVELOPMENT

Joined Topaz 2016

Years of experience 24

Previous roles at
Vroom, Kilne**PER KRISTENSEN**

HEAD OF PROCUREMENT

Joined Topaz 2017

Years of experience 35

Previous roles at
A.P. Moller-Maersk

DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have the pleasure in presenting before you the audited consolidated financial statements of Topaz Energy and Marine Limited and its subsidiaries (together, 'the Group') for the year ended 31 December 2017. In this report, we will focus on four subjects which summarise our current position and way forward:

- > **Impairment:** The impact of impairment on our 2016 and 2017 results
- > **Financing:** The underlying financial strength of the business to steer the Group safely through 2018 meeting all our financial obligations
- > **Stability:** The ability to generate and conserve cash, build stakeholder relationships and win contracts
- > **Outlook:** The Group's US\$1.5b contract backlog and two major projects driving growth with a positive impact from 2018.

Impairment

Though vessel utilisation has shown signs of improvement towards the end of 2017, the charter rates continue to remain low thereby restricting our cash-generating capacity. The global OSV fleet has been devalued by billions of dollars, with around one third in layup and much tonnage destined to remain out of service. Topaz has been no exception and we took a material impairment charge of US\$65.2m in relation to our own fleet valuation, which was the third in a row (2016: US\$99.6m, 2015: US\$70m). We believe that better market conditions will improve our future individual vessel revenue generation capacity thereby improving our fleet valuation.

The total goodwill accumulated in our books is US\$36.7m representing US\$7.8m for the Doha Marine Services WLL ('DMS') acquisition, US\$18.4m for BUE Marine Limited and US\$10.5m towards Topaz Energy and Marine Limited.

During 2017, the majority of the DMS vessels did not generate sufficient free cash flows, and further its future potential is expected to be much lower. Consequently, the goodwill recorded at the time of the DMS acquisition has been written off in 2017.

Financing

On 26 July 2017 the Group successfully issued US\$375m aggregate principal amount of 9.125% Senior Notes (the 'Notes') that will mature on 26 July 2022. The gross proceeds from the issue of the Notes were used to fund the repurchase and redemption of Topaz's existing US\$350m 8.625% Senior Notes due in 2018 and the associated costs. The transaction was received positively by international investors and our credit rating was reaffirmed – testament to our robust business model in a volatile market. This long-term funding has established the underlying financial strength to steer the Group safely through turbulent waters.

Stability

Our priority, as stated, was to achieve financial security, by focusing on cash, strengthening key relationships, and by mobilising our major growth project with Tengizchevroil (TCO). Our actions served us well. In 2017, we met all financial and operational obligations, won contracts across our regions, and designed, launched and managed a new vessel category for the TCO project, ahead of schedule. We are now actively developing more innovative solutions for our clients, to differentiate us further in our marketplace, as a long-term marine logistics service partner.

MARKET AND OUTLOOK

Brent crossed the psychological US\$70 per barrel mark, reiterating the fact that the long-oversupplied oil market is tightening up more quickly than expected as global economic growth fuels demand and output cuts by OPEC, Russia and several other producers eat into the world's crude stockpiles. After three tough years, confidence in industry growth has risen globally. Intentions of oil majors to increase CAPEX and innovation spending in 2018 comes alongside a clear signal that oil and gas industry costs will not return to pre-2014 norms. We foresee better contract flows in 2018 with global CAPEX budgets expected to remain resilient and accelerate in 2019 albeit from a low base.

The cost-efficiency drive covering procurement, administration, crew and overheads initiated in 2015 has saved US\$20m during 2017 (2016: US\$40m) and we will continue to find ways to optimise our cost structure without compromising on quality and safety in the future.

DIVIDEND

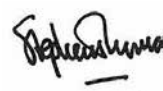
No dividend is proposed for the year ended 31 December 2017.

ACKNOWLEDGEMENT

The Directors take this opportunity to express their thanks to all stakeholders for their continued support and their appreciation for the dedicated efforts by all the employees of the Group.



René Kofod-Olsen
Director
19 February 2018



Stephen R. Thomas
Director

DIRECTORS' REPORT

FINANCIAL PERFORMANCE

PARTICULARS	US\$m	
	2017	2016
Continuing operations (before one-off charges)		
Revenue	243.7	282.1
EBITDA	118.0	144.9
Profit before finance costs and impairment losses	47.9	70.6
Net loss after tax from continuing operations (before one-off charges)	(24.1)	(2.5)
One-off charges (Note 1)	(92.1)	(99.6)
Net loss after tax from continuing operations	(116.2)	(102.1)
Net loss after tax for the year	(116.2)	(102.1)
Net loss for the year after minority interest	(132.6)	(125.9)

The sharp decline in the oil price mid-2014 led to three consecutive years of unprecedented pressure on performance for the oil industry, the OSV sector and our Group. Topaz has been directly exposed to the ongoing oil price crisis that has adversely affected the entire Offshore Supply Vessels (OSV) industry. However, we see 2018 as the year the Group stabilises and, quarter by quarter, improves its performance, with profit growth fuelled by our major contract with Tengizchevroil (TCO). We are in a position to start rebuilding the value that we have lost and to pursue new growth opportunities.

NOTE 1 – DETAILS OF ONE-OFF CHARGES ARE AS FOLLOWS

The Group has incurred the following one-off charges during the year:		US\$m	
PARTICULARS		2017	2016
Provision for impairment of vessels		(65.2)	(99.6)
Impairment of goodwill		(7.8)	–
Bond redemption cost		(19.1)	–
Total		(92.1)	(99.6)

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Topaz Energy and Marine Limited
and its Subsidiaries
Hamilton
Bermuda

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Topaz Energy and Marine Limited and its Subsidiaries (the "Group"), Hamilton, Bermuda, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

Impairment of the Group's Vessels

The Group's vessels are its sole revenue generating assets, with a carrying value of US\$0.98 billion at 31 December 2017 (2016: US\$1.06 billion) which represents

65% (2016: 73%) of the Group's total assets at that date. Their recoverable amount is based on an assessment of the higher of fair value less cost to sell and value in use. Estimates of fair value less costs to sell take into consideration vessel valuations from an independent ship broker, whilst value in use is calculated as the net present value of estimated future cash flows, in each case on a vessel by vessel basis. In the current year, there is a risk that the recoverable amounts could be adversely impacted by the continuous prolonged lower prevailing oil and gas prices, due to the resultant impact on the Group's customer base in the oil and gas industry.

Management has assessed recoverable amount based on the estimated value in use of each vessel, and when compared to the fair value less costs to sell, have concluded that an impairment of US\$65.2m is required as at 31 December 2017. The key assumptions utilised in these calculations include, on a vessel by vessel basis:

- > Cash flows (daily chartering rate and OPEX rate);
- > Utilisation rate (revenue generating days);
- > Discount rate/weighted average cost of capital; and
- > Inflation/growth rate.

As referenced in Note 6 of the consolidated financial statements, impairment of the Group's vessels is considered a critical accounting judgment and key source of estimation uncertainty by Group management.

Further detail of the Group's vessels is provided in Note 14 to the consolidated financial statements.

How our audit addressed the key audit matters

We challenged the assumptions made by management on a vessel by vessel basis by reference to publicly available information, our knowledge of the Group and industry, the Group's historical operational data and the Group's most recent business plan. This included :

- > Understanding the process by which management has derived its value in use estimates;
- > Comparing forecast utilisation and day rates to those achieved in prior periods;
- > Comparing forecast day rates to signed contracts for contracted periods, and challenging the basis adopted for day rates elsewhere in the calculations;
- > Using our internal valuation specialists to perform an independent recalculation of the discount rate;
- > Performing sensitivity analysis, using more conservative assumptions for future day rates, utilization rates and OPEX rates, to take into consideration the current market conditions described above;

- > Evaluating the design and implementation of managements controls to address the risk of impairment of the Group's vessels; and
- > Testing the mathematical accuracy of the calculations.

Revenue recognition – marine services

Each of the Group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as reduced rates for when the vessel is not operating at full capacity or is laid up and not in use. Certain contracts also include amounts payable to the Group in respect of mobilising the vessel at the inception of the contract and/or demobilising the vessel at the end of the contract term. As disclosed in the accounting policies in Note 5 to the consolidated financial statements, income generated from the mobilization or demobilization of the vessel to or from the location of charter under the vessel charter agreement is recognized over the period of the related charter party contract. The costs of related equipment modifications or upgrades to vessels that are permanent in nature are capitalised and depreciated in accordance with the Group's fixed asset capitalisation and depreciation policy.

Accordingly, in order for revenue to be recorded appropriately, for each vessel the company needs to:

- > Accurately record the number of days both on hire and on standby;
- > Apply the correct contractual rates to the number of days in each of these categories; and
- > Ensure mobilisation and demobilisation revenue has been appropriately recorded in accordance with the terms of the contract and the accounting policies above.

Due to the significant variability in contract terms by vessel and by counterparty, we have identified the complete and accurate recording of marine services revenue as a key audit risk.

Further details of revenue arising during the year is provided in note 8 to the consolidated financial statements.

How our audit addressed the key audit matters

We have obtained a detailed schedule analysing the revenue earned by month and by vessel, which specifies both the number of days on hire/on standby and the relevant contractual rate, and agreed this to the general ledger. We have:

- > Agreed the days on hire/standby based on a report from the Group's operations department, on a sample basis to invoice (which state the number of days to which it relates) and to subsequent payment or to debtor confirmation replies. Where balances remain unpaid we have

INDEPENDENT AUDITOR'S REPORT

understood the rationale for non-payment through discussions with operational management, review of board minutes and correspondence with customers;

- > Performed an analysis on the number of days on hire/standby, obtaining supporting explanation for any gaps and reconciling this to our knowledge of each vessel's operational performance during the year;
- > Agreed the day rate to the underlying contract;
- > Recalculated the revenue figure and agreed this to both invoice and either subsequent cash received or the year end debtors schedule; and
- > For mobilisation and demobilisation revenue, determined whether revenue has been recorded in accordance with the terms of the contract and the Group's accounting policy in this area.

We have also evaluated the design and implementation, and operating effectiveness of management controls to address the risk of inappropriate revenue recognition.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors report, which we obtained prior to the date of this auditors' report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and consider whether a Reportable Irregularity exists in terms of the auditing standards, which must be reported.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Deloitte & Touche (M.E.)

Anis Sadek
Partner
Registration No. 521
19 February 2018
Dubai
United Arab Emirates

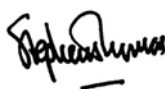
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Revenue	8	243,696	282,087
Cost of revenue		(168,793)	(178,303)
Gross profit		74,903	103,784
Administrative expenses		(28,395)	(33,605)
Other income		1,352	453
Profit before finance costs and impairment losses	9	47,860	70,632
Impairment losses	10	(72,991)	(99,600)
Finance costs – net	11	(59,336)	(59,576)
Bond redemption cost	11	(19,114)	–
Loss before income tax		(103,581)	(88,544)
Income tax expense	12	(12,656)	(13,534)
Loss for the year		(116,237)	(102,078)
Other comprehensive income		–	–
Total comprehensive loss for the year		(116,237)	(102,078)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(132,649)	(125,914)
Non-controlling interests		16,412	23,836
Total comprehensive loss for the year		(116,237)	(102,078)
Basic and diluted loss per share (US\$)	13	(0.47)	(0.44)



Director



Director

The accompanying notes form an integral part of these consolidated financial statements.

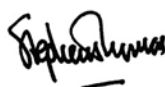
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Topaz Energy and Marine Limited and its subsidiaries as at 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,227,833	1,198,912
Intangible assets and goodwill	15	20,592	28,674
Long-term receivables and prepayments	16	530	930
Deferred tax assets	18	9,520	7,212
Total non-current assets		1,258,475	1,235,728
Current assets			
Inventories	19	9,987	5,689
Accounts receivable and prepayments	16	87,335	109,565
Due from related parties	17	16,742	16,747
Cash and cash equivalents	20	77,950	39,459
Asset classified as held-for-sale	21	12,879	-
Total current assets		204,893	171,460
Total Assets		1,463,368	1,407,188
EQUITY AND LIABILITIES			
Equity			
Share capital	22	284,720	284,720
Share premium	22	46,796	46,796
Accumulated losses		(157,200)	(24,551)
Equity attributable to Owners of the Company		174,316	306,965
Non-controlling interests		168,721	155,912
Total equity		343,037	462,877
Liabilities			
Non-current liabilities			
Term loan and Senior Notes	23	632,634	614,996
Loans due to Holding Company	24	66,536	73,346
Employees' end-of-service benefits	25	3,758	3,529
Advance from customers	27	207,310	112,051
Total non-current liabilities		910,238	803,922
Current liabilities			
Accounts payable and accruals	26	96,075	80,726
Advance from customers	27	49,762	341
Term loan	23	30,000	30,000
Loans due to Holding Company	24	12,064	7,254
Due to related parties	17	66	187
Income tax payable	12	22,126	21,881
Total current liabilities		210,093	140,389
Total liabilities		1,120,331	944,311
Total Equity and Liabilities		1,463,368	1,407,188



Director



Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Topaz Energy and Marine Limited and its subsidiaries as at 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Loss before income tax		(103,581)	(88,544)
Adjustments to reconcile loss before tax to net cash flows:			
Impairment losses on property, plant and equipment		65,200	99,600
Impairment loss on goodwill		7,791	-
Impairment loss on trade accounts receivables		215	3,472
Provision for employees' end-of-service benefits		1,328	342
Finance income		(120)	-
Finance costs		78,570	59,576
Depreciation and amortisation		70,125	74,372
Amortisation of mobilisation revenue		465	1,924
Operating cash flows before changes in operating assets and liabilities		119,993	150,742
Increase in inventories		(4,298)	(2,363)
Decrease/(increase) in accounts receivables, prepayments and other assets		22,043	(12,412)
Increase in accounts payable, accruals and other liabilities		149,685	139,525
Decrease in due from related parties		(116)	(556)
Cash generated from operations		287,307	274,936
Income tax paid		(14,719)	(17,771)
Employees' end-of-service benefits paid		(1,099)	(681)
Net cash flows generated from operating activities		271,489	256,484
Cash flows from investing activities			
Purchase of property, plant and equipment		(176,779)	(152,319)
Purchase of intangible assets		(520)	(1,481)
Net cash flows used in investing activities		(177,299)	(153,800)
Cash flows from financing activities			
Issuance of US\$375M, 9.125% Senior Notes		375,000	-
Redemption of US\$350M, 8.625% Senior Notes		(350,000)	-
Bank loans borrowed		25,000	-
Loans paid		(30,000)	(30,000)
Interest paid		(69,694)	(55,894)
Increase in loan due to Ultimate Holding Company		-	13,000
Repayment of loan due to Holding Company		(2,402)	(36,400)
Dividends paid to the Holding Company		-	-
Dividends paid to non-controlling interests		(3,603)	(9,000)
Net cash flows used in financing activities		(55,699)	(118,294)
Increase/(decrease) in cash and cash equivalents		38,491	(15,610)
Cash and cash equivalents at 1 January		39,459	55,069
Cash and cash equivalents at 31 December	19	77,950	39,459

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

	Attributable to Owners of the Company					
	Share capital US\$'000	Share premium US\$'000	Retained earnings/ (accumulated) losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2016	284,720	46,796	101,363	432,879	141,076	573,955
Total comprehensive (loss)/income for the year			(125,914)	(125,914)	23,836	(102,078)
Dividend paid to non-controlling interests (Note 26)	-	-	-	-	(9,000)	(9,000)
Balance at 31 December 2016	284,720	46,796	(24,551)	306,965	155,912	462,877
Total comprehensive (loss)/income for the year	-	-	(132,649)	(132,649)	16,412	(116,237)
Dividend paid to non-controlling interests (Note 26)	-	-	-	-	(3,603)	(3,603)
Balance at 31 December 2017	284,720	46,796	(157,200)	174,316	168,721	343,037

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

1. ESTABLISHMENT AND OPERATIONS

Topaz Energy and Marine Limited (the "Company") is a limited liability company incorporated in Bermuda. The Company is a 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 Group as at and for the year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Group"). The principal activities of the Group are provision of offshore supply vessels and other marine vessels on charter primarily to the oil and gas industry.

2. SUBSIDIARIES

i) Subsidiaries of Topaz Energy and Marine Limited, Bermuda

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2017	2016	
Topaz Energy and Marine DMCC	United Arab Emirates	100%	100%	Ship management services
TEAM II Limited [Refer Note 2(a)]	St. Vincent	50%	50%	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 VII Limited [Refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM VIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM X Limited [Refer Note 2(a)]	St. Vincent	50%	50%	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%	50%	Charter of marine vessels
TEAM XVI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XVII Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVIII Limited [refer note 2 (a)]	St. Vincent	50%	50%	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 XXVII Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XXVIII Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XXIX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XL Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLV Limited	Marshall Islands	100%	100%	Charter of marine vessels

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

2. SUBSIDIARIES (CONTINUED)

i) Subsidiaries of Topaz Energy and Marine Limited, Bermuda (continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2017	2016	
TEAM XLVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLVII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM offshore Nig. Limited [refer note 2 (e)]	Nigeria	0%	0%	Charter of marine vessels
Topaz Marine Angola Lda. [refer note 2 (e)]	Angola	0%	0%	Charter of marine vessels
TEAM XXXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
BUE Marine Limited	Scotland	100%	100%	Charter of marine vessels
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
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%	50%	Charter of marine vessels
Caspian Jura Limited [refer note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Topaz Marine Saudi Arabia Limited	Saudi Arabia	100%	100%	Operation services and technical support for ships
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
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

ii) Subsidiaries of Topaz Marine Limited, Bermuda

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2017	2016	
Topaz Astrakhan 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
Topaz Marine Nig Ltd [Refer Note 2(e)]	Nigeria	40%	40%	Charter of marine vessels

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

2. SUBSIDIARIES (CONTINUED)

iii) Subsidiaries of BUE Marine Limited, Scotland

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2017	2016	
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 Bulkers Limited	Scotland	100%	100%	Vessel management
BUE Shipping Limited	Scotland	100%	100%	Vessel management
Roosalka Shipping Limited	Scotland	100%	100%	Vessel management
BUE Kyran Limited	Scotland	100%	100%	Vessel management
BUE Marine Turkmenistan Limited	Scotland	100%	100%	Vessel management
XT Shipping Limited	Scotland	100%	100%	Vessel management
River Till Shipping Limited	Scotland	100%	100%	Vessel management

iv) Subsidiaries of Topaz Doha Holdings II Limited, St. Vincent

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2017	2016	
Doha Marine Service WLL [Refer Note 2(c)]	State of Qatar	49%	49%	Vessel management

v) Subsidiaries of BUE Kazakhstan Limited, Scotland

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2017	2016	
BUE Aktau LLP	Kazakhstan	100%	100%	Vessel management
BUE Bautino LLP	Kazakhstan	100%	100%	Vessel management

- 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 Limited, Team VII Limited, Team XV Limited, Team XVII Limited, Team XVIII Limited, Caspian Islay Limited, Caspian Jura Limited, Team II Limited, Team X Limited, Team XXVII Limited and Team XXVIII Limited have been considered as subsidiaries as the Group has control over these entities, and 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) BUE Caspian Limited owns the entire issued share capital of BUE Marine Turkmenistan Limited, a company incorporated and registered in Scotland.
- c) 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 Ultimate Holding Company. Accordingly, the Group has control over the entity, and is exposed to, or has rights to, variable returns from its involvement with DMS and has the ability to affect those returns through its power over DMS, and therefore, DMS has been consolidated as a subsidiary in these consolidated financial statements.
- d) During the year ended 31 December 2017, the Group has not dissolved any of its subsidiaries. During the year ended 31 December 2016, the Group dissolved Nico World II Limited, Nico Far East Pte Limited, Team VI Limited, Team XXVI Limited and DMS Marine SPC.
- e) The Group owns 0% of the shareholding in TEAM offshore Nig. Limited, Topaz Marine Angola Lda. and 40% in Topaz Marine Nig. Ltd. These have been considered as subsidiaries as the Group has control over these entities, and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (Notes 24 and 25). A reconciliation between the opening and closing balances of these items is provided in notes 24 and 25. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in notes 24 and 25, the application of these amendments has had no impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2014-2016 Cycle – Amendments to IFRS 12

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 3.2).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held-for-sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held-for-sale.

3.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) (a)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard contains requirements in the following areas:	
• Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

1 January 2019

Impact assessment of IFRS 9 *Financial Instruments*

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment:

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and other receivables as required or permitted by IFRS 9. In relation to the trade and other receivables (Note 17), the Management have assessed that there has not been a significant increase in the credit risk of the trade and other receivables from initial recognition to 31 December 2017. Accordingly, the Management expect to recognise lifetime and 12-month expected credit losses for these items respectively.

In general, the Management anticipates that the application of the expected credit loss model of IFRS 9 will not result in earlier recognition of credit losses for trade and other receivables and will not increase the amount of loss allowance recognised for these items.

IFRS 15 *Revenue from Contracts with Customers*

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 *Revenue from Contracts with Customers*

The application of IFRS 15 from the annual period beginning 1 January 2018 will have an impact on the Group's consolidated financial statements in respect of revenue from contracts with customers. Based on preliminary analysis of the Group's revenues from contracts with customers as at 31 December, management intends to use the modified transition approach of transition to IFRS 15. Other than providing more extensive disclosures on the Group's revenue transactions, management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group for the majority of its existing revenue streams. The directors are still in the process of assessing the impact of IFRS 15 on new contracts entered into during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Based on the preliminary assessment, some of the marine charter agreements may contain a non-leasing component and at adoption, the Group may be required to disclose the leasing and non-leasing components separately on these contracts. The directors are currently still in the process of assessing the impact of the above. Impact assessment of IFRS 16 <i>Leases</i> IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments. For arrangements which meet the definition of a lease under IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review for both lessee and lessor agreements.	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

4. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretation applicable to companies reporting under 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 and presentation currency

The consolidated financial statements are presented in United States Dollars (US\$) which is the Group's presentation currency. The Group's subsidiaries may have functional currencies other than US\$, in which case the respective local currency is the functional currency. The local functional currency can be Qatari Riyal (QR), Arab Emirates Dirham (AED), Azerbaijan New Manat (AZN), Kazakhstan Tenge (KZT), Russian Rouble (RUB) and Nigerian Naira (NGN).

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

5. 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 (Refer to Note 2 to the consolidated financial statements).

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control (refer to Note 2 to the consolidated financial statements). 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 the consolidated statement of profit or loss and other 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 an 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 consistent accounting policies.

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.

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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other 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 interests represent the portion of comprehensive income or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and other 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services 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 Group; 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 rental 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.

Project management

Project management income is recognised when the services are rendered, by reference to the stage of completion of specific transactions assessed on the basis of the actual services performed as a percentage of the total services to be performed.

Finance income and expenses

Finance income comprises interest income on funds invested and gains on derivative instruments that are recognised in the consolidated statement of profit or loss and other comprehensive income when incurred. Interest income is recognised in the consolidated statement of profit or loss and other comprehensive income as it accrues, using the effective interest rate method.

Finance expense comprises interest expense on borrowings and losses on derivative instruments that are recognised in the consolidated statement of profit or loss and other comprehensive income. All borrowing costs are recognised in the consolidated statement of profit or loss and other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. 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 prevailing 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 prevailing 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 the consolidated statement of profit or loss and other comprehensive income 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 US\$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US\$ 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 the translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss and other 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 profit or loss and other 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 the translation reserve in equity.

Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in the consolidated statement of profit or loss and other comprehensive income 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.

Deferred tax

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost of marine vessels includes purchase price paid to third parties including registration and legal documentation costs, all directly attributable costs incurred to bring the vessel into working condition at the area of planned use, mobilisation costs to the operating location, sea trial costs, significant rebuild expenditure incurred during the life of the asset and financing costs incurred during the construction period of vessels. In certain operating locations where the time taken for mobilisation is significant and the customer pays a mobilisation fee, certain mobilisation costs are charged to the consolidated statement of profit or loss and other comprehensive income. 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 the consolidated statement of profit or loss and other comprehensive income 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. The estimated useful lives for the current and comparative periods are as follows:

	Useful life in years
Buildings	5 to 25
Plant, machinery, furniture, fixtures and office equipment	3 to 15
Marine vessels acquired (including boats)	15 to 30
Expenditure on marine vessel dry docking (included as a component of marine vessels)	2 to 3
Motor vehicles	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 methods, 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 profit or loss and other comprehensive income as incurred.

Gains and losses on disposal of an item of property, plant and equipment, 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 profit or loss and other comprehensive income.

Vessels that are held-for-sale are transferred to current assets at their net realisable value. Any gain or loss on disposal, being the difference between proceeds from disposal and the carrying amount, are recognised within other income or other expense in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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.

Dry docking costs

The expenditure incurred on vessel dry docking, a component of property, plant and equipment, is amortised over the period from the date of dry docking, to the date on which the management estimates that the next dry docking is due, which ordinarily is within 2 to 3 years.

Vessel refurbishment costs

Owned assets

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

Intangible assets

Goodwill

Goodwill that arises upon acquisition of subsidiaries is presented within intangible assets. Goodwill represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. 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 recognised in the consolidated statement of profit or loss and other comprehensive income. 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.

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 capitalised 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 recognised in the consolidated statement of profit or loss and other comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

i) 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.

ii) 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.

iii) 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss and other 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 consolidated statement of profit or loss and other comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

Non-derivative financial liabilities

All 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 consolidated 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.

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 profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss and other 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 profit or loss and other comprehensive income.

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 asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. 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 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 the lower of cost and estimated net realisable 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 realisable 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 Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 on 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 consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. 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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Non-current assets classified as held-for-sale

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

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 consolidated statement of profit or loss and other 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Employees' benefits

A provision is made for the estimated liability for employees for their entitlement to annual leave and leave passage as a result of services rendered by employees up to the end of the reporting period based on applicable labour laws in jurisdictions where the Group operates.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to employees' end-of-service benefits is disclosed as a non-current liability.

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.

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 assets

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 consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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 profit or loss and other comprehensive income.

Operating lease payments are recognised as an expense in the consolidated statement of profit or loss and other 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 statement of profit or loss and other comprehensive income 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.

Dividends distribution

Dividends are recognised as a liability in the year in which the dividends are approved by the Company's shareholders if not paid before the year end.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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 or equity accounted in accordance with the accounting policy of the Group (also refer to Note 5 to the consolidated financial statements).

Leases

Management exercises judgements 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The Group determines on an annual basis whether goodwill is impaired or not. 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 2017 was US\$18,383 thousand (2016: US\$26,174 thousand). Details of the impairment assessment are set out in Note 14.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 *Impairment of assets*. 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 2017 was US\$977,788 thousand (2016: US\$1,052,813 thousand).

The recoverable amount of all vessels has been determined based on value in use calculations where the fair value less cost to sell was lower than the carrying amount. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 5 years based on the expected utilisation rates of the individual vessels using a discount rate of 12.00% (2016: 11.80%). Cash flows beyond five years are estimated using a nil growth rate. The impairment charge has arisen due to continuing market pressures which are having a negative impact on the vessels' utilisation and day rates. The projection of cash flows related to vessels is complex and requires the use of various estimates including future day rates, vessel utilisation and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs, and estimated asset usage over the relevant period. These factors make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the recoverable amount of the asset. Refer to Note 14 for further details.

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 US\$77,521 thousand (2016: US\$99,099 thousand) and the provision for doubtful debts was US\$4,753 thousand (2016: US\$4,538 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be impaired will be recognised in the consolidated statement of profit or loss and other comprehensive income.

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 US\$9,987 thousand (2016: US\$5,689 thousand) with provisions for old and obsolete inventories of US\$ Nil (2016: US\$ Nil). Any difference between the amounts actually realised in future periods and the amounts provided will be recognised in the consolidated statement of profit or loss and other comprehensive income.

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.

Provision for current tax and deferred 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.

Management has evaluated the available evidence about future taxable income and other possible sources of realisation of income tax assets, and the amount recognised has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

7. PRESENTATION OF ADJUSTED NON-GAAP RESULTS

The following table has been provided to show a reconciliation between the Group's statutory financial results, and adjusted non-GAAP results, and presents adjusted total comprehensive loss before one-off charges related to impairment and finance costs incurred related to the redemption of the \$350 million Senior Notes (Note 23 (iii)):

	Year ended 31 December 2017			Year ended 31 December 2016		
	Adjusted non-GAAP results US\$'000	Adjusting items US\$'000	Statutory Total US\$'000	Adjusted non-GAAP results US\$'000	Adjusting items US\$'000	Statutory Total US\$'000
Revenue	243,696	–	243,696	282,087	–	282,087
Cost of revenue	(168,793)	–	(168,793)	(178,303)	–	(178,303)
Gross profit	74,903	–	74,903	103,784	–	103,784
Administrative expenses	(28,395)	–	(28,395)	(33,605)	–	(33,605)
Other income	1,352	–	1,352	453	–	453
Profit before finance cost and impairment losses	47,860	–	47,860	70,632	–	70,632
Impairment losses*	–	(72,991)	(72,991)	–	(99,600)	(99,600)
Finance costs – net	(59,336)	–	(59,336)	(59,576)	–	(59,576)
Bond redemption cost**	–	(19,114)	(19,114)	–	–	–
(Loss)/income before income tax	(11,476)	(92,105)	(103,581)	11,056	(99,600)	(88,544)
Income tax expense	(12,656)	–	(12,656)	(13,534)	–	(13,534)
Loss for the year	(24,132)	(92,105)	(116,237)	(2,478)	(99,600)	(102,078)
Add: Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	(24,132)	(92,105)	(116,237)	(2,478)	(99,600)	(102,078)
Total comprehensive (loss)/income attributable to:						
Owners of the Company	(46,544)	(86,105)	(132,649)	(26,314)	(99,600)	(125,914)
Non-controlling interests	22,412	(6,000)	16,412	23,836	–	23,836
Total comprehensive loss for the year	(24,132)	(92,105)	(116,237)	(2,478)	(99,600)	(102,078)
Basic and diluted loss per share (US\$)	(0.17)	(0.30)	(0.47)	(0.09)	(0.35)	(0.44)

* The impairment charge on certain vessels and goodwill has been added back to the net loss to arrive at adjusted net loss for the year.

** The finance cost charged to the consolidated statement of profit or loss and other comprehensive income includes US\$15.3 million incurred towards bond redemption premium and US\$3.7 million towards the write-off of unamortised issuance costs relating to the redeemed notes. This has been added back to the net loss to arrive at adjusted net loss in 2017.

8. REVENUE

	2017 US\$'000	2016 US\$'000
Charter and other revenues from marine vessels	230,922	278,274
Project management (i)	11,695	–
Income from mobilisation of marine vessels	1,079	3,813
	243,696	282,087

(i) BUE Bulkiers Limited, a subsidiary of the Group, has entered into a construction management services agreement with a customer, under which the Group shall supervise the new build programme for the three module carrier vessels (MCVs), mobilise the MCVs to the Caspian Sea, procure and supervise modification works to be undertaken to the MCVs following completion by the shipyard and on arrival in the Caspian Sea, procure potential temporary lay-up of the MCVs and mobilise the MCVs to the relevant trans-shipment bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

9. PROFIT BEFORE FINANCE COSTS AND IMPAIRMENT LOSSES

Profit before finance costs and impairment losses for the year is after charging:

	Notes	2017 US\$'000	2016 US\$'000
Employees' salaries and benefits		18,902	18,979
Rent and utilities		1,247	1,412
Depreciation of property, plant and equipment		69,314	74,322
Amortisation of intangible assets		811	50
Impairment loss on accounts receivable	16	215	3,472

10. IMPAIRMENT LOSSES

	Notes	2017 US\$'000	2016 US\$'000
Impairment loss on marine vessels	14	65,200	99,600
Impairment loss on goodwill	15	7,791	–
		72,991	99,600

11. FINANCE COSTS – NET

	2017 US\$'000	2016 US\$'000
Recognised in the consolidated statement of profit or loss and other comprehensive income		
Interest expense	59,456	59,576
Bond redemption cost (i)	19,114	–
Finance costs	78,570	59,576
Finance income (interest on fixed deposits)	120	–

(i) US\$19 million relates to the redemption of the existing US\$350 million 8.625% Senior Notes due 2018, comprising US\$15.3 million incurred towards bond redemption premium and US\$3.8 million towards the write-off of unamortised issuance costs relating to the redeemed Senior Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

12. INCOME TAX

	Notes	2017 US\$'000	2016 US\$'000
Current taxation			
Foreign tax		13,785	19,014
Corporation tax		1,179	268
Total current tax		14,964	19,282
Deferred tax			
Current year		(2,569)	(1,471)
Prior year		261	(4,277)
Total deferred tax	19	(2,308)	(5,748)
Tax expense for the year		12,656	13,534
Tax liabilities		22,126	21,881

The Group's consolidated effective tax rate is (12.0%) for 2017 (2016: 14.8%), calculated based on loss for the year from continuing operations.

The charge for the year is reconciled to the profits of the Group attributable to entities registered in the United Kingdom (UK), Nigeria, Angola, Saudi Arabia and Qatar as follow:

	2017 US\$'000	2016 US\$'000
Loss before income tax from continuing operations	(103,581)	(88,544)
Less: Loss from non-taxable jurisdictions	45,867	37,589
Loss subject to tax included in the consolidated statement of profit or loss and other comprehensive income for the year	(57,714)	(50,955)
Tax at the UK corporation tax rate of 19% (2016: 20%)	(91)	2,328
Tax effect of expenses that are not deductible in determining taxable profit	(195)	(158)
Taxes expense by subsidiaries operating in jurisdictions other than UK	3,869	6,365
Impact of corporate rate restriction in UK	649	-
Tax losses not recognised	51	-
Unrelieved foreign tax	4,956	5,662
Prior year movement on deferred tax	261	(4,277)
Effect of change in rate of deferred tax recognition	341	326
Provision for foreign tax	2,815	3,288
Tax expense for the year	12,656	13,534

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 liabilities or contingencies.

13. EARNINGS PER SHARE

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2017 US\$'000	2016 US\$'000
Loss attributable to the shareholders of the Company	(132,649)	(125,914)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	(284,719)	(284,719)

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$'000	Plant, machinery, furniture, fixtures and office equipment US\$'000	Marine vessels US\$'000	Motor vehicles US\$'000	Capital work-in- progress US\$'000	Total US\$'000
Cost:						
As at 1 January 2016	3,958	14,050	1,673,498	989	36,454	1,728,949
Additions	-	465	32,205	-	119,649	152,319
Transfers	-	-	25,518	-	(25,518)	-
As at 31 December 2016	3,958	14,515	1,731,221	989	130,585	1,881,268
Additions	-	904	22,180	91	153,604	176,779
Transfers	-	-	40,061	-	(40,061)	-
Fully depreciated dry docking written off	-	-	(42,084)	-	-	(20,860)
Reclassified as held-for-sale (Note 22)	-	-	(20,860)	-	-	(42,084)
As at 31 December 2017	3,958	15,419	1,730,518	1,080	244,128	1,995,103
Accumulated depreciation						
As at 1 January 2016	913	11,027	483,911	859	9,800	506,510
Charge for the year	159	688	73,373	102	-	74,322
Transfer	-	-	9,800	-	(9,800)	-
Amortisation of mobilisation costs	-	-	1,924	-	-	1,924
Impairment (Note 9)	-	-	99,600	-	-	99,600
As at 31 December 2016	1,072	11,715	668,608	961	-	682,356
Charge for the year	159	552	68,522	81	-	69,314
Amortisation of mobilisation costs	-	-	465	-	-	465
Impairment (Note 9)	-	-	65,200	-	-	65,200
Fully depreciated dry docking written off	-	-	(42,084)	-	-	(42,084)
Eliminated on reclassification as held-for-sale (Note 22)	-	-	(7,981)	-	-	(7,981)
As at 31 December 2017	1,231	12,267	752,730	1,042	-	767,270
Carrying amount						
As at 31 December 2017	2,727	3,152	977,788	38	244,128	1,227,833
As at 31 December 2016	2,886	2,800	1,062,613	28	130,585	1,198,912

Marine vessels with a net book value of US\$875,922 thousand (2016: US\$666,726 thousand) are mortgaged against bank loans obtained.

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

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 *Impairment of Assets*. As a result of the challenging market conditions and excess supply in the market, which is continuing to drive down charter day rates and utilisation rates, the Group has performed an impairment assessment for its marine vessels, which led to the recognition of an impairment loss of US\$65,200 thousand (2016: US\$99,600 thousand) against 27 (2016: 29) of its vessels.

The Group estimated 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 recoverable amount of all vessels has been determined based on value in use calculations where the fair value less cost to sell was lower than the carrying amount. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 5 years based on the expected utilisation rates of the individual vessels using a discount rate of 12.00% (2016: 11.80%). Cash flows beyond five years are estimated using a nil growth rate. The recoverable amount of the impaired assets, which represent their value in use, is USD 237.3 million.

The depreciation charge has been allocated as follows:

	Note	2017 US\$'000	2016 US\$'000
Cost of revenue		68,522	73,373
Administrative expenses	9	792	949
		69,314	74,322

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15. INTANGIBLE ASSETS AND GOODWILL

	Notes	2017			2016		
		Goodwill US\$'000	Computer software US\$'000	Total US\$'000	Goodwill US\$'000	Computer software US\$'000	Total US\$'000
At 1 January		26,174	2,500	28,674	26,174	1,069	27,243
Additions		–	520	520	–	1,481	1,481
Amortisation		–	(811)	(811)	–	(50)	(50)
Impairment	10	(7,791)	–	(7,791)	–	–	–
At 31 December		18,383	2,209	20,592	26,174	2,500	28,674
Cost (gross carrying amount)		26,174	4,569	30,743	26,174	4,049	30,223
Accumulated amortisation		–	(2,360)	(2,360)	–	(1,549)	(1,549)
Impairment		(7,791)	–	(7,791)	–	–	–
Net carrying amount		18,383	2,209	20,592	26,174	2,500	28,674

Amortisation of intangible assets has been allocated to administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Goodwill comprises the following:

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

Goodwill has been allocated to two 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:

	2017 US\$'000	2016 US\$'000
BUE Marine Limited Unit	18,383	18,383
Doha Marine Services Unit	–	7,791
	18,383	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 the senior management. The goodwill recognised on the acquisition of Doha Marine Services has been written off in full during the year-ended 31 December 2017 due to the downturn in the business within the region.

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 in 2017 is 12.00% (2016: 11.80%).

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

The growth rate used for value in use calculation in 2017 is 3% (2016: 3%).

Sensitivity to changes in assumptions

For the year ended 31 December 2017, management believes that there is adequate headroom for goodwill recognised on the acquisition of Topaz Energy and Marine Limited and BUE Marine Limited Unit, particularly with reference to the current oil prices as some of the key assumptions are conservative, particularly the expected growth rate. There have been no events or changes in circumstances to indicate that the carrying values of goodwill of the above two cash-generating units may be impaired.

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Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017 US\$'000	2016 US\$'000
Trade accounts receivable	77,521	99,099
Allowance for trade accounts receivable	(4,753)	(4,538)
	72,768	94,561
Prepaid expenses	5,009	3,692
Advance to suppliers	3,706	2,768
Retention receivable	2,069	1,998
Other receivables	4,313	7,476
	87,865	110,495
Less: Non-current portion	(530)	(930)
	87,335	109,565

At 31 December 2017, trade receivables of US\$4,753 thousand (2016: US\$4,538 thousand) were impaired. Movement in the allowance for trade accounts receivable is as follows:

	Notes	2017 US\$'000	2016 US\$'000
At 1 January		4,538	8,627
Charge for the year	9	215	3,472
Amounts written off		–	(7,561)
At 31 December		4,753	4,538

The impaired receivables are outstanding for more than 120 days (2016: outstanding for more than 120 days).

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

	2017 US\$'000	2016 US\$'000
GCC	6,204	6,135
Caspian	61,146	81,076
Others	5,418	7,350
At 31 December	72,768	94,561

As at 31 December, the ageing of un-impaired trade receivables is as follows:

	Total US\$'000	Neither past due nor impaired US\$'000	Past due but not impaired				
			<30 days US\$'000	30-60 days US\$'000	61-90 days US\$'000	91-120 days US\$'000	>120 days US\$'000
2017	72,768	56,342	9,068	1,800	1,885	1,902	1,771
2016	94,561	76,485	5,228	4,296	4,348	2,742	1,462

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured. The other classes within trade and other receivables do not contain impaired assets. Fair value of trade and other receivables approximate to their carrying value.

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17. RELATED PARTY TRANSACTIONS

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders and key management personnel. The terms and conditions of such transactions are decided by management.

Transactions with related parties included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017 US\$'000	2016 US\$'000
Related parties – Ultimate Holding Company	6,769	7,896

Compensation of key management personnel

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

	2017 US\$'000	2016 US\$'000
Short term benefits	3,458	3,433
Employees' end-of-service benefits	121	134
	3,579	3,567

	2017 US\$'000	2016 US\$'000
Due from related parties		
Topaz Energy and Marine Limited – Holding Company	16,740	16,740
Directors	2	6
Tawoos – subsidiary of the Ultimate Holding Company	–	1
	16,742	16,747

	2017 US\$'000	2016 US\$'000
Due to a related party		
Renaissance Services SAOG – Ultimate Holding Company	61	187
Tawoos – subsidiary of the Ultimate Holding Company	5	–
	66	187

These are unsecured, interest-free and do not have any fixed repayment term.

18. DEFERRED TAX ASSETS

	Notes	2017 US\$'000	2016 US\$'000
At 1 January		7,212	1,464
Credit to profit or loss	12	2,308	5,748
At 31 December		9,520	7,212

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2017 US\$'000	2016 US\$'000
Deferred tax assets	9,807	8,417
Deferred tax liabilities	(287)	(1,205)
At 31 December	9,520	7,212

The deferred tax asset balance at 31 December 2017 represents primarily UK taxation and comprises depreciation in excess of capital allowances of US\$4,068 thousand (2016: US\$1,826 thousand), short term temporary differences of US\$5,318 thousand (2016: US\$5,386 thousand) and tax losses of US\$134 thousand (2016: Nil).

As at 31 December 2017, the Group has gross tax losses of US\$263 thousand (2016: Nil) on which no deferred tax has been recognised. The UK corporation tax rate reduced from 20% to 19% effective from 1 April 2017 and will be further reduced from 19% to 17% effective 1 April 2020. As the rate change from 19% to 17% had been substantively enacted before the reporting date, deferred tax is recognised at a rate of 17%.

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19. INVENTORIES

	2017 US\$'000	2016 US\$'000
Stores, spares and consumables	9,987	5,689

20. CASH AND CASH EQUIVALENTS

	2017 US\$'000	2016 US\$'000
Cash in bank		
– Short-term deposits	25,000	15,000
– Current accounts	52,813	24,387
	77,813	39,387
Cash on hand	137	72
Cash and cash equivalents	77,950	39,459

The short-term deposits earn interest of 1.31% per annum (2016: 0.63% per annum).

21. ASSETS CLASSIFIED AS HELD-FOR-SALE

	2017 US\$'000	2016 US\$'000
Non-current asset held-for-sale	12,879	–

The Group intends to dispose of a marine vessel it no longer utilises within the next 12 months. A search is underway for a buyer. No impairment loss was recognised on reclassification of the marine vessel as held-for-sale as at 31 December 2017 as management expect that the fair value (estimated based on the recent market valuation obtained) less cost to sell is higher than the carrying amount.

22. SHARE CAPITAL

	2017 US\$'000	2016 US\$'000
Authorised		
400,000,000 shares of US\$1 each (2016: 400,000,000 shares of US\$1 each)	400,000	400,000
Issued and fully paid		
284,719,616 shares of US\$1 each (2016: 284,719,616 shares of US\$1 each)	284,720	284,720

In 2014, the Holding Company entered into a Subscription Agreement with another party, consisting of the issue and sale of 27,902,522 common shares (from authorised but unissued capital stock) of the Company at a price of US\$2.68 per share for total proceeds of US\$75 million, which resulted in a share premium balance of US\$46.8 million. As part of the sale of the shares, the Holding Company entered into a Shareholders Agreement, where the Holding Company and the Ultimate Holding Company have agreed to certain conditions which are accounted for, and disclosed, in their own financial statements. These conditions do not affect the Company itself and therefore the financial impact has not been reflected in these consolidated financial statements.

On 19 December 2017, the Holding Company transferred 10,534,626 shares from its shareholding in the Company's authorised but unissued capital stock (amounting to 3.7% of the share capital) to the other party, thereby increasing the total holding of the other party from 9.8% to 13.5%.

23. TERM LOANS

	Notes	2017 US\$'000	2016 US\$'000
Term loan, at LIBOR plus 2.75% p.a.	24(i)	296,225	300,093
\$375m, 9.125% Senior Notes	24(ii)	366,409	–
\$350m, 8.625% Senior Notes	24(iii)	–	344,903
		662,634	644,996
Current portion of term loan		(30,000)	(30,000)
Non-current portion		632,634	614,996

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23. TERM LOANS (CONTINUED)

- (i) In 2015, the Group entered into an agreement with a syndicate of banks for a financing facility of US\$550 million carrying interest at the rate of three-month LIBOR plus 2.75% which is repayable in quarterly instalments until April 2022. The initial drawdown of US\$350 million was made in 2015 and a further drawdown of US\$25 million was made during the year ended 31 December 2017.
- (ii) On 26 July 2017 the Group issued US\$375 million aggregate principal amount of 9.125% Senior Notes (the "Senior Notes") that will mature on 26 July 2022. The Senior Notes pay interest semi-annually in arrears on 26 January and 26 July of each year, commencing 26 January 2018. Interest has been accrued from the issue date. On and after 26 July 2019, the Group may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.5625% for the twelve month period beginning 26 July 2019, 102.2813% for the twelve month period beginning 26 July 2020 and 100% beginning 26 July 2021, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. No redemption has been made in the year ended 31st December 2017. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Topaz Energy and Marine Limited, incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Official List of The International Stock Exchange Authority (formerly The Channel Islands Securities Exchange Authority Limited).

The gross proceeds from the issue of the Notes were used to fund the repurchase and redemption of Topaz's existing US\$350 million 8.625% Senior Notes due in 2018 and the associated costs.

In conjunction with the Senior Notes offering, US\$9.10 million in debt issuance costs was incurred and was accounted as per IAS 23 and amortised as a finance cost over the life of the Senior Notes using the effective interest rate basis.

As at 31 December 2017, the fair value of the Senior Notes is approximately US\$387.75 million.

- (iii) On 4 November 2013 the Group issued US\$350 million aggregate principal amount of 8.625% Senior Notes maturing on 1 November 2018. As explained above, these notes were fully repaid, including interest and redemption premium, in July 2017.

Of the total interest expense for the year ended 31 December 2017, US\$19 million relates to the redemption of the existing US\$350 million 8.625% Senior Notes due 2018, comprising US\$15.3 million incurred towards bond redemption premium and US\$3.7 million towards the write-off of unamortised issuance costs relating to the redeemed Senior Notes.

- (iv) The term loans of the Group are denominated in US\$ and are secured by a first preferred mortgage over selected assets of the Group, the assignment of marine vessel insurance policies, corporate guarantees and the assignment of the marine vessel charter lease income.

The term loan and Senior Notes are repayable as follows:

	2017 US\$'000	2016 US\$'000
Due within one year	30,000	30,000
Due between two to five years	632,634	489,999
Due after five years	–	124,997
	662,634	644,996

A reconciliation between opening and closing balances in the consolidated statement of financial position for liabilities that result in financing cash flows is as follows:

	1 Jan 2017 US\$'000	Cash flows US\$'000	Non-cash changes US\$'000	31 Dec 2017 US\$'000
Term loan, at LIBOR plus 2.75% p.a.				
Tranche A (US\$350 million facility)	300,093	(30,000)	1,371	271,464
Tranche B (US\$100 million facility)	–	25,000	(239)	24,761
US\$375M, 9.125% Senior Notes	–	365,900	509	366,409
US\$350M, 8.625% Senior Notes	344,903	(350,000)	5,097	–
	644,996	10,900	6,738	662,634

The borrowing arrangements include undertakings to comply with various covenants including net debt to EBITDA ratio and EBITDA to debt service ratio as well as an undertaking to maintain a minimum tangible net worth. At the reporting date, the Group is in compliance with all financial covenants.

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24. LOANS DUE TO THE ULTIMATE HOLDING COMPANY

	2017 US\$'000	2016 US\$'000
Term loan (refer (i) below)	78,600	80,600
Current portion	(12,064)	(7,254)
Non-current portion	66,536	73,346

(i) This represents loans obtained from the Ultimate Holding Company for the purpose of financing the acquisition of certain vessels. It also includes a subordinated loan payable in four equal instalments of US\$26 million, starting from November 2014 carrying a mark-up at the rate of 8.5% per annum compounded on a quarterly basis. During the current year the Group has successfully refinanced the loans resulting in an extended repayment term and standard rate of interest of 8.5% per annum.

The loan is repayable as follows:

	2017 US\$'000	2016 US\$'000
Due within one year	12,064	7,254
Due between two to five years	54,628	52,134
Above five years	11,908	21,212
	78,600	80,600

A reconciliation between opening and closing balances in the consolidated statement of financial position for liabilities that result in financing cash flows is as follows:

	1 Jan 2017 US\$'000	Cash flows US\$'000	Non-cash changes US\$'000	31 Dec 2017 US\$'000
Term loan	80,600	(2,402)	402	78,600

25. EMPLOYEES' END-OF-SERVICE BENEFITS

Provision for employees' end-of-service benefits is made in accordance with the labour laws of the respective countries in which the Group operates, and is based on current remuneration and cumulative years of service as at the reporting date.

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

	2017 US\$'000	2016 US\$'000
At 1 January	3,529	3,868
Provided during the year	1,328	342
End-of-service benefits paid	(1,099)	(681)
At 31 December	3,758	3,529

26. ACCOUNTS PAYABLE AND ACCRUALS

	2017 US\$'000	2016 US\$'000
Current		
Trade accounts payables	32,103	41,055
Accrued expenses	42,070	27,297
Other payables	21,902	12,374
	96,075	80,726

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27. ADVANCES FROM CUSTOMERS

	2017 US\$'000	2016 US\$'000
Advances from customers (refer (i) below)	257,072	112,392
Current portion	49,762	341
Non-current portion	207,310	112,051

- (i) Advances from customers comprises premobilisation funds received from Tengizchevroil (TCO) towards the Offshore Marine Module Transport contract. These advances will be recovered, subsequent to the commencement of operations, against amounts receivable from TCO for provision of transportation services. The current portion of US\$49.8 million represents management's estimate of the advance recoverable over next 12 months based on the progress of the contract at the reporting date.

28. DIVIDENDS

The dividend paid in 2017 for the year ended 31 December 2016 was US\$ Nil.

The dividend paid in 2016 for the year ended 31 December 2015 was US\$ Nil.

29. SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The combined financial information of the subsidiaries that have non-controlling interests in the Caspian Region has been presented, as the non-controlling interest for all these subsidiaries is the same party. The information below is the amount before inter-company eliminations.

Summarised statement of financial position

	Caspian Region Subsidiaries	
	2017 US\$'000	2016 US\$'000
Current		
Assets	146,052	116,982
Liabilities	169,481	169,451
Total current net liabilities	(23,429)	(52,469)
Non-current		
Assets	477,181	494,964
Liabilities	116,870	131,236
Total non-current net assets	360,311	363,728
Net assets	336,882	311,259

Summarised statement of profit or loss and other comprehensive income

	Caspian Region Subsidiaries	
	2017 US\$'000	2016 US\$'000
Revenue	90,458	99,082
Profit before income tax	32,829	47,420
Income tax expense	–	(110)
Profit for the year from continuing operations	32,829	47,310
Other comprehensive income	–	–
Total comprehensive income for the year	32,829	47,310
Total comprehensive income allocated to non-controlling interests	16,412	23,836
Dividends paid to non-controlling interests	3,603	9,000

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29. SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Cash flows from operating activities

	Caspian Region Subsidiaries	
	2017 US\$'000	2016 US\$'000
Cash generated from operations	52,813	76,510
Income taxes paid	–	(232)
Interest paid	(27,851)	(21,297)
Net cash generated from operating activities	24,963	54,981
Net cash used in investing activities	(3,357)	(2)
Net cash used in financing activities	(21,606)	(57,675)
Net decrease in cash and cash equivalents	–	(2,696)
Cash and cash equivalents at 1 January	1	2,697
Cash and cash equivalents at 31 December	1	1

30. CONTINGENCIES

Contingent liabilities

	2017 US\$'000	2016 US\$'000
Letters of guarantee	29,544	23,150

These are non-cash banking instruments such as bid bonds, performance bonds, refund guarantees, retention bonds, 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 that certain terms of contracts with customers/suppliers are not met.

31. COMMITMENTS

	2017 US\$'000	2016 US\$'000
Capital expenditure commitment		
Purchase of marine vessels	175,154	346,841

32. NON-CANCELLABLE LEASES

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 these operating leases as of 31 December are as follows:

	2017 US\$'000	2016 US\$'000
Within one year	259,983	210,530
Between two to five years	858,628	1,087,970
More than five years	45,995	266,339
	1,164,606	1,564,839

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33. OPERATING SEGMENTS

Management has determined the operating segments based on the information reviewed by the 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:

- Caspian
- MENA
- Africa

The above segments is after consideration of an internal reorganisation implemented in 2016 due to changes in the composition of the various segments disclosed in 2014 consolidated financial statements on account of transfer of the operating decisions relating to various vessels from Global to MENA and Africa.

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. Inter-segment pricing is determined on an arm's length basis.

The following table presents segmental information about these businesses:

Operating segment 2017

	Caspian US\$'000	MENA US\$'000	Africa US\$'000	Corporate US\$'000	Elimination US\$'000	Total US\$'000
Revenue	187,324	47,243	9,480	–	(351)	243,696
Direct costs	(100,622)	(54,188)	(14,299)	(50)	366	(168,793)
Gross profit (loss)/segment results	86,702	(6,945)	(4,819)	(50)	15	74,903
Administrative expenses	(11,599)	(6,975)	(4,437)	(5,384)	–	(28,395)
Impairment losses	(12,780)	(48,710)	(3,710)	(7,791)	–	(72,991)
Other income	6	102	744	500	–	1,352
Finance costs, net	(34,457)	(9,953)	(8,488)	(25,552)	–	(78,450)
Income tax expense	(10,018)	(1,574)	(991)	(73)	–	(12,656)
Profit/(loss) for the year	17,854	(74,055)	(21,701)	(38,350)	15	(116,237)
Depreciation and amortisation	43,657	22,574	3,591	295	8	70,125
Assets	1,285,033	225,572	97,330	636,741	(781,308)	1,463,368
Liabilities	(850,613)	(304,817)	(198,963)	(445,125)	679,187	(1,120,331)

Operating segment 2016

	Caspian US\$'000	MENA US\$'000	Africa US\$'000	Corporate US\$'000	Elimination US\$'000	Total US\$'000
Revenue	206,030	61,800	14,257	–	–	282,087
Direct costs	(96,470)	(65,806)	(15,708)	(178)	(141)	(178,303)
Gross profit (loss)/segment results	109,560	(4,006)	(1,451)	(178)	(141)	103,784
Administrative expenses	(11,716)	(10,263)	(4,677)	(6,969)	20	(33,605)
Impairment losses	(6,900)	(67,500)	(25,200)	–	–	(99,600)
Other income	2	28	423	–	–	453
Finance costs, net	(26,666)	(8,888)	(10,522)	(13,500)	–	(59,576)
Income tax expense	(9,990)	(2,098)	(1,446)	–	–	(13,534)
Profit/(loss) from continuing operations	54,290	(92,727)	(42,873)	(20,647)	(121)	(102,078)
Profit/(loss) for the year	54,290	(92,727)	(42,873)	(20,647)	(121)	(102,078)
Depreciation and amortisation	41,207	27,909	4,739	376	141	74,372
Assets	1,114,327	311,519	114,572	629,132	(825,362)	1,407,188
Liabilities	(700,057)	(316,734)	(195,466)	(390,063)	658,009	(944,311)

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Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

34. FINANCIAL INSTRUMENTS BY CATEGORY

	Notes	2017 US\$'000	2016 US\$'000
Loans and receivables			
Non-current			
Trade and other receivables	16	530	930
Current			
Trade and other receivables (excluding prepayments and advances)	16	78,620	103,105
Due from related parties	17	16,742	16,747
Cash and cash equivalents	20	77,950	39,459
Total current assets		173,312	159,311
Total Assets		173,842	160,241
Other financial liabilities at amortised cost			
Non-current			
Term loans	23	632,634	614,996
Loans due to Holding Company	24	66,536	73,346
Total non-current liabilities		699,170	688,342
Current			
Accounts payable and accruals	26	96,075	80,726
Term loans	23	30,000	30,000
Loans due to Holding Company	24	12,064	7,254
Due to related parties	17	66	187
Total current liabilities		138,205	118,167
Total Liabilities		837,375	806,509

35. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The fair values of financial instruments is not materially different from their carrying values.

36. 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

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

36. RISK MANAGEMENT (CONTINUED)

Risk management framework (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.

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 47% (2016: 42%) of the Group's revenue is attributable to sales transactions with a single customer. At 31 December 2017, the Group's ten largest customers account for 79% (2016: 83%) of the outstanding trade accounts receivable. 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.

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:

	2017 US\$'000	2016 US\$'000
Trade accounts receivable – net	72,768	94,561
Other receivables and retention receivable	6,382	9,474
Due from related parties	16,742	16,747
Cash and cash equivalents	77,813	39,387
	173,705	160,169

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 other 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 2017, the Group had undrawn facilities of US\$75 million (2016: US\$100 million).

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Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

36. RISK MANAGEMENT (CONTINUED)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017, based on contractual undiscounted payments:

		Contractual cash flows			
	Carrying amount US\$'000	Total US\$'000	Due within 1 year US\$'000	Due in 1 to 5 years US\$'000	Due after 5 years US\$'000
At 31 December 2017					
Non-derivative financial liabilities					
Accounts payables and accruals	96,075	96,075	96,075	–	–
Term loans	662,634	872,820	77,225	795,596	–
Loan due to the Ultimate Holding Company	78,600	97,312	6,682	78,215	12,415
Due to related parties	66	66	66	–	–
Total	837,375	1,066,273	180,048	873,811	12,415

		Contractual cash flows			
	Carrying amount	Total	Due within 1 year	Due in 1 to 5 years	Due after 5 years
At 31 December 2016	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-derivative financial liabilities					
Accounts payables and accruals	80,726	80,726	80,726	–	–
Term loans	644,996	761,753	72,100	563,251	126,402
Loan due to Holding Company	80,600	104,611	13,794	67,685	23,132
Due to related parties	187	187	187	–	–
Total	806,509	947,277	166,807	630,936	149,534

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 uses floating-to-fixed interest rate swaps, and avails itself of 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.

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 used to hedge underlying debt obligations. At 31 December 2017, approximately 60% of the Group's borrowings are at a fixed rate of interest (2016: 59%). Since this meets the Group's policy of maintaining at least 40% of its borrowings at fixed rates, no interest rate swaps were transacted in 2016 and 2017.

Profile

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

	Carrying amount	
	2017 US\$'000	2016 US\$'000
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	445,009	425,503
Variable rate instruments		
Financial liabilities	296,225	300,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

36. RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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 the consolidated statement of profit or loss and other comprehensive income, 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 the consolidated statement of profit or loss and other comprehensive income.

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 2016.

	Profit or loss	
	100 bp increase US\$'000	100 bp decrease US\$'000
31 December 2017		
Variable rate instruments	2,962	(2,962)
31 December 2016		
Variable rate instruments	3,001	(3,001)

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 or currencies which are pegged to US\$.

The Group's exposure to foreign currency risk was as follows based on notional amounts and are in US\$'000:

	US\$'000								
	EUR	AZN	KZT	RUB	GBP	NOK	NGN	JPY	SGD
31 December 2017									
Bank balances	57	11	118	183	8	–	74	–	–
Trade accounts payable	(626)	(139)	16	104	(246)	85	(208)	(104)	(31)
Net statement of financial position exposure	(569)	(128)	134	287	(238)	85	(134)	(104)	(31)
31 December 2016									
Bank balances	37	4	22	673	8	10	61	–	–
Trade accounts payable	(711)	(281)	(52)	(33)	(99)	(10)	(30)	(46)	1
Net statement of financial position exposure	(674)	(277)	(30)	640	(91)	–	31	(46)	1

The following significant exchange rates applied during the year:

	Average rate (to 1 US\$)		Reporting date spot rate (to 1 US\$)	
	2017	2016	2017	2016
Euro (EUR)	0.912	0.933	0.874	0.950
Azerbaijan New Manat (AZN)	1.721	1.666	1.671	1.771
Kazakhstan Tenge (KZT)	323.503	336.650	313.716	333.290
Russian Rouble (RUB)	58.941	66.793	57.224	60.657
Great Britain Pound (GBP)	0.782	0.742	0.754	0.810
Norwegian Kroner (NOK)	8.526	8.336	8.430	8.623
Japanese Yen (JPY)	113.831	114.630	110.692	116.970
Singapore Dollars (SGD)	1.360	1.397	1.274	1.446
Nigerian Naira (NGN)	304.512	250.750	304.024	305.000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

36. RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

Sensitivity analysis

A strengthening of the US\$, as indicated below, against the Euro, Azerbaijan New Manat, Kazakhstan Tenge, Russian Rouble, Great Britain Pound, Norwegian Kroner, Japanese Yen, Nigerian Naira and Singapore Dollars at 31 December would have increased/ (decreased) the comprehensive losses 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 2016.

	Effect on profit before tax	
	Strengthening by 5% US\$'000	Weakening by 5% US\$'000
2017		
Euro (EUR)	28	(28)
Azerbaijan New Manat (AZN)	6	(6)
Great Britain Pound (GBP)	12	(12)
Kazakhstan Tenge (KZT)	(7)	7
Russian Rouble (RUB)	(14)	14
Norwegian Kroner (NOK)	(4)	4
Japanese Yen (JPY)	5	(5)
Singapore Dollars (SGD)	2	(2)
Nigerian Naira (NGN)	7	(7)
2016		
Euro (EUR)	34	(34)
Azerbaijan New Manat (AZN)	14	(14)
Great Britain Pound (GBP)	5	(5)
Kazakhstan Tenge (KZT)	2	(2)
Russian Rouble (RUB)	(32)	32
Norwegian Kroner (NOK)	–	–
Japanese Yen (JPY)	2	(2)
Singapore Dollars (SGD)	–	–
Nigerian Naira (NGN)	(2)	2

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 capital ratio at the end of the reporting period was as follows:

	2017 US\$'000	2016 US\$'000
Interest-bearing loans and borrowings	741,234	725,596
Less: Cash and short term deposits	(77,950)	(39,459)
Net debt	663,284	686,137
Equity	343,037	462,877
Capital and net debt	1,006,321	1,149,014
Gearing ratio	65.91%	59.72%

There were no changes in the Group's approach to capital management during the year. As disclosed in Note 23 to the consolidated financial statements, the Group is subject to certain financial covenants from its borrowing arrangements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Topaz Energy and Marine Limited and its subsidiaries for the year ended 31 December 2017

37. NON-CASH TRANSACTIONS

During the year the Group entered into the following non-cash transactions which are not reflected in the consolidated statement of cash flows:

	2017 US\$'000	2016 US\$'000
Increase in deferred tax asset	2,308	5,748

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance and signed by the Board of Directors on behalf of the shareholders on 19 February 2018.

GLOSSARY

A reference guide for commonly-used industry and Topaz-specific terms and acronyms.

AHTSVs (Anchor Handling Tug Supply Vessels)

Vessels designed for anchor handling and towing offshore platforms, barges, production modules and/or other vessels

Backlog/contract backlog

A measure that consists of the total revenue attributable to the uncompleted portion of all Topaz vessel charter contracts

Bareboat/bareboat charter

The lease or hire of a vessel under which the responsibility for the crew, maintenance, equipment and insurance passes to the lessee

BHP (brake horsepower)

The horsepower of an engine, turbine or motor before power is lost through the gearbox or drive train

Boepd

Barrel of oil equivalent per day

CAGR

Compound annual growth rate

CAP

At Topaz, stands for Competency Assurance Programme

CAPEX

Capital expenditure

COBC

Code of Business Conduct

Core assets/vessels

In the Topaz fleet, refers only to AHTSVs, PSVs, MPSVs, ERRVs and MCVs

Crewboat

A vessel designed to transfer personnel and limited amounts of cargo from shore to offshore installations and between offshore installations

Day rate

The daily revenue generated by a particular vessel, excluding mobilisation and demobilisation costs

Daughter vessel

The receiving ship in a ship-to-ship cargo transfer operation in open sea

DWT (deadweight tonnage)

A measure of a vessel's capacity in weight, excluding the weight of the ship itself

Deep water

Water at a depth of more than 1,000 feet and up to 5,000 feet

Drilling bulk

Powder materials used in the exploration of oil and gas, such as dry powders of barites, cement and bentonite

Drydocking

Removal of a vessel from the water for the performance of maintenance or other work on the exterior of the vessel below the waterline

DNV GL

One of the world's largest standards/classification companies for vessels, offshore installations, etc.

DP (dynamic positioning)

The ability of a vessel to remain in a fixed geographical position by use of external propulsion synchronised by computer programming, within which the terms 'DP1', 'DP2' and 'DP3' denote increasing degrees of system reliability

EBITDA

Represents earnings before interest, taxes and depreciation (including impairment costs)

EPCI

Engineering, procurement, construction and installation

ERM (Enterprise Risk Management)

ERM includes methods and processes to manage risks in relation to the achievement of objectives, and provides a framework for risk management

ERRVs (Emergency Recovery and Response Vessels)

Vessels which provide safety support to offshore installations and are typically equipped with fast rescue, firefighting and oil recovery facilities

GRT (gross register tonnage)

GRT is a volume measure used to record a vessel's total permanently enclosed capacity

Ice-breaking vessel

A special-purpose vessel designed to move and navigate through ice-covered waters

IMCA (International Marine Contractors Association)

The international trade association representing companies and organisations engaged in delivering offshore, marine and underwater solutions, whose core purpose is improving performance in the marine contracting industry by championing better regulation and enhancing operational integrity
Source: www.imca-int.com

IMR

Installation, maintenance and repair

IOC

International oil company

ISO

International Organization for Standardization

Layup (of vessels)

The temporary removal of a vessel from service under strict conditions, with the reasonable expectation that she will be brought into service at a later point

- > Warm layup: Layup condition for vessels expected to return to active operations within 3-6 months
- > Cold layup: Layup condition for vessels taken out of service for a period expected to exceed six months

LCVs

Light Craft Vessels

Localisation

At Topaz, a long-term commitment to recruit a high percentage of local staff and crew, to engage and support local communities, and potentially to co-invest with local entities

Long-term contract

At Topaz, any contract with a term greater than twelve months

LTI (Lost Time Injury)

Any type of accidental injury including Fatalities and Lost Work Day cases but excluding Restricted Work Day cases.

- > A Lost Work Day case is any work-related accidental injury other than a fatal injury which results in a person being unfit for work on the next shift/day
- > A Restricted Work Day case is any work-related injury other than a fatality or Lost Work Day case which results in a person being unfit for full performance of a regular job on the shift/day after the injury.

LTIF (Lost Time Injury frequency)

The number of LTIs occurring per one million man-hours worked

LTM

Last 12 months

M&A

Mergers and acquisitions

Man-hours

Actual hours worked based on a 12-hour day in Topaz's offshore operations, or actual hours worked including overtime hours in Topaz's onshore operations

MCV (Module Carrying Vessel)

Vessel designed to transport large modules and cargoes through narrow and shallow river systems

MENA

Middle East and North Africa

Mmbpd

Million barrels of oil per day

Mobilisation

In Topaz, the process of moving a vessel from one location, either a yard or port, to its working location

MPSVs (Multi-Purpose Support Vessels)

Multi-functional vessels designed to support a range of offshore activities

MTOE

Million tonnes of oil equivalent

MVV (Management Vessel Visits)

MVR (MVR ratio)

Number of MVVs carried out within a defined period

NS5

Marine enterprise resource planning system

NBV (net book value)

The value at which an asset is carried on the balance sheet, equal to the cost of the asset minus accumulated depreciation

Net profit

Profit after all operating and administrative expenses, interest and tax

NOC

National oil company

Offshore platform

A large structure situated some distance from the shore with facilities to drill, extract and process oil and gas and, in many cases, providing accommodation for offshore workers

Oil field/field

A geographical area defined by the boundary of an underlying oil and gas accumulation, usually used in the context of a producing oil field

OPEC (Organization of the Petroleum Exporting Countries)

A permanent intergovernmental organization of 14 oil-exporting developing nations that coordinates and unifies the petroleum policies of its Member Countries
Source: www.opec.org

OPEX (operational expenditure)

Ongoing costs required to operate a business

OSVs (Offshore Support Vessels)

When referring to the Topaz fleet, includes: AHTSVs, PSVs, MPSVs, ERRVs, MCVs, specialised barges, crewboats and other vessels

OVMSA (Offshore Vessel Management and Self Assessment)

Tool to help operators of offshore vessels assess, measure and improve their management systems and includes all activities undertaken by the company, including technical, operational, personnel and HSE, both on board and ashore

PSVs (Platform Supply Vessels)

Vessels designed for transporting supplies and equipment to and from offshore installations

QHSSE

Quality, health, safety, security and environment

RIWS

Russian Inland Waterways System

RONA

Return on net assets

ROV (Remotely Operated Underwater Vehicle)

A tethered underwater mobile device, common in deep-water offshore oil and gas activities

Shallow water

Water at a depth of less than 1,000 feet

Stacking (of vessels)

See layout

Subsea

Refers to equipment, technology and methods employed in, among others, offshore oil and gas developments, and offshore wind power industries

SVP (Self-Verification Programme)

TCO

Tengizchevroil LLP

TCO-FGP

Tengizchevroil Future Growth Project

Trenching

Digging trenches for laying pipes or cables

Tug

A small powerful boat designed for towing or pushing larger vessels

UAE

United Arab Emirates

Upstream

A sector in the oil and gas industry involving exploration and production activities

Utilisation rate

The measure of the extent to which Topaz vessels are active

Wellhead

A component, where the oil or gas well surfaces, that interfaces with drilling and production equipment

WROV

Work-class remotely operated vehicles

International conventions and standards

Topaz stringently complies with a number of international conventions and standards, as well as periodic survey and inspection requirements, including:

- > the International Safety Management (ISM) Code for the Safe Operation of Ships and Pollution Prevention
- > the International Ship and Port Facility Security (ISPS) Code for security management of personnel, systems and assets
- > the International Convention for the Safety of Life at Sea ('SOLAS'), which specifies minimum standards for the construction, equipping and operation of vessels
- > the International Convention for the Prevention of Pollution from Ships ('MARPOL 73/78'), the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes
- > the ILO Maritime Labour Convention (MLC) 2006, which establishes minimum working and living standards for all seafarers on ships flying the flags of ratifying countries
- > integrated systems management standards such as ISO 9001 (Quality), ISO 14001 (Environmental) and OHSAS 18001 (Occupational Health and Safety)

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HEAD OF STRATEGY AND CORPORATE
PLANNING

Joined Topaz 2017

Years of experience 20

Previous roles at

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Strengths and experience

- > Long-standing career as corporate strategist in-house and as a consultant
- > Operational and commercial experience in energy sector and international marine logistics

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FINANCIAL CALENDAR FOR 2018**30 May 2018**

Announcement of financial results for the three months ended 31 March 2018

29 August 2018

Announcement of financial results for the six months ended 30 June 2018

28 November 2018

Announcement of financial results for the nine months ended 30 September 2018

On our corporate website you can find the latest information on:

- > Key figures
- > Reports and presentations
- > Financial results
- > Latest events
- > Investor news
- > Corporate governance

> Dates are provisional and subject to change. Please refer to the Investors section of our corporate website: www.topazworld.com/en/investors

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