

Leading through innovation

ANNUAL REPORT & ACCOUNTS 2016

CONCEPTUALISATION

The first of their kind, our Module Carrying Vessels (MCVs) were conceptualised in Ålesund, Norway, home to our long-standing shipbuilding partner, Vard, and an important centre for shipbuilding services ever since the discovery of oil in the North Sea in the 1970s.

Stability, strength and growth. We are a leading offshore support vessel (OSV) company, providing a range of essential maritime services to oil and gas producers and contractors. We are integral to the future of the energy extraction industry.

During the most challenging market conditions in our history we focused on stabilising our core business and rethinking solutions, and we became stronger as a result. It is no coincidence that during the current industry crisis we were awarded our largest ever contract. This landmark, innovative opportunity with Tengizchevroil LLP (TCO) secures medium-term growth for us in one of the top ten oil-producing fields in the world.



More: TCO Contract,
page 4

Stability, strength and growth

SHIPBUILDING CENTRES OF EXCELLENCE

Seven of the Module Carrying Vessels (MCVs) owned and managed by Topaz are being built in Vard's shipyard in Vietnam, with the remainder in Romania. Located in southern Vietnam, at the tip of a small peninsula, Vũng Tàu means 'ship's bay' or 'anchorage' in Vietnamese.



Samir J. Fancy, Chairman

STRENGTH AND STABILITY

In 2016, we continued to be exposed to the ongoing oil crisis that has devastated the OSV market. The sharp drop in capital expenditure on oil and gas exploration and construction projects, coupled with an industry adjusting to a new oil price range, has resulted in over one third of the global OSV fleet being laid up and billions of dollars wiped off vessel values.

Our largely young fleet and primary focus on longer-term contracts have helped us fare better in the marketplace. However, fierce competition for short-term contracts in a very difficult spot market lowered both our revenue and profits. Around 10% of our vessels are out of service and, for the second year running, we recognised an impairment on our fleet. While this loss of value hurts, it is not a cash loss and our US\$145 million EBITDA performance and ability to meet all financial commitments throughout this prolonged crisis demonstrate our strength, stability and strategic resilience.

GROWTH

During the last two very tough years we have managed to keep an eye on the future, believing steadfastly in the potential of our businesses and markets. Our landmark Tengiz contract win has opened up further opportunities with

flagship clients and provided a route for us to build a more diversified marine platform over the longer term. Together with our record contract backlog of US\$1.5 billion and a fleet poised to be one of the strongest coming out of this crisis, we have a future to look forward to in 2018 and beyond. Further prospects will arise as our highly fragmented industry consolidates. Where relevant to our strategy, we will consider these within strict parameters.

OUTLOOK

We expect 2017 to be another challenging year. However, we have reason for cautious optimism as markets reprice oil, and vessel utilisation and rates improve accordingly. Our optimism is sustained by the strength of our relationships with all key stakeholders, who recognise our Group's value, understand the temporary nature of the industry downturn and appreciate our efforts to achieve stability and strength, and to promote growth. On behalf of our Directors, thank you for your continued support and, in particular, thank you to our employees for their hard work and loyalty.



Samir J. Fancy, Chairman

STRATEGIC REPORT

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 Group KPIs are indicated by this icon throughout this document.

AT A GLANCE

Focusing on our core strengths. We are recognised in the industry for our strong operational track record, uncompromising focus on safety, and provision of high-quality service, made possible by our valued employees and their commitment to delight our customers.

REVENUE (US\$M)

KPI

282

2015/ 363

EBITDA (US\$M)

KPI

145

2015/ 175

EBITDA MARGIN

KPI

51%

2015/ 48%

NUMBER OF EMPLOYEES

1,826

2015/ 2,036

TOTAL FLEET SIZE

97

2015/ 96

CONTRACT BACKLOG
(US\$BN)

1.5

2015/ 0.75

% OF TOTAL REVENUE
FROM IOCS/NOCS ¹

81%

2015/ 96%

LOST TIME INJURY
FREQUENCY

KPI

0.20

2015/ 0.72

FATAL ACCIDENT RATE

Zero

2015/ Zero

¹ International Oil Companies/National Oil Companies, with strong credit ratings.

NAVIGATING CHALLENGING WATERWAYS

Our Module Carrying Vessels (MCVs) will pass through Lake Ladoga, which is part of the Volga-Baltic Waterway, a mediaeval trading route which links into the complex and shallow canals of the Russian inland waterways system.

WHERE WE OPERATE

We are a leading offshore support vessel (OSV) company providing marine solutions to the global energy industry with primary focus on the Caspian, Middle East, West Africa, and subsea operations in the North Sea and Gulf of Mexico.

 **More:** Divisional Performance, page 29

TOPAZ MARINE CASPIAN

With a presence in the Caspian Sea since 1990 and a strong partner, following the acquisition of the BUE Marine fleet, Topaz Marine Caspian is Topaz's largest division by revenue, EBITDA, vessel and employee count. Its modern high-specification fleet and focus on operational excellence make it a supplier of choice for blue-chip companies in the region.

US\$206m revenue, 73% of total revenue

US\$139m EBITDA

50% share of market by number of AHTSVs ($\geq 5,000$ BHP) and PSVs ($\geq 3,000$ DWT), market leader

63 vessels, 65% of total fleet

824 offshore employees

87 onshore employees

TOPAZ MARINE MENA/SUBSEA

In 2016 we merged our MENA and Subsea operations to gain efficiencies and reduce overhead cost. Topaz is the sixth largest operator in MENA and remains focused on targeting long-term contracts with reputable operators. The global subsea market has long-term growth potential and Topaz is expanding its fleet.

US\$62m revenue, 22% of total revenue

US\$14m EBITDA

4% share of Middle East market by number of AHTSVs ($\geq 5,000$ BHP) and all PSVs, fourth largest

26 vessels, 27% of total fleet

560 offshore employees

38 onshore employees

TOPAZ MARINE AFRICA

A relatively small division in an emerging and fragmented market, Topaz Marine Africa represents opportunities for future growth. Although current market conditions remain unpredictable our strategy to develop local offices and crew positions us well for any market upturn.

US\$14m revenue, 5% of total revenue

US\$(1)m EBITDA

1% share of West Africa market by number of AHTSVs ($\geq 5,000$ BHP) and all PSVs, 15th largest

8 vessels, 8% of total fleet

185 offshore employees

18 onshore employees

TOPAZ SOLUTIONS

We established a new reporting division in 2016. This business unit manages all activity in relation to the TCO project, a US\$550 million contract which we signed in May 2016. More about this project can be found on pages 4 and 33.

20 vessels being built as part of project

17 employees

TCO CONTRACT SCOPE

The first of their kind. Appointed to transport the modular units to be installed on the Tengiz oil field that will significantly increase its production capacity, we are building and operating brand new Module Carrying Vessels (MCVs), capable of navigating some of the most challenging river systems in the world.

Rethinking traditional navigation

AN INDUSTRY FIRST

Topaz will construct, own and operate Module Carrying Vessels (MCVs)
– specialist ships able to carry up to 1,800 tonnes of cargo in shallow river systems.

273 modules

Transported by sea via transshipment hubs in Bulgaria and Finland, these modules will be delivered to the Cargo Transportation Route (CaTRo), currently under construction in Prorva, Kazakhstan and will eventually be assembled close to the Tengiz site.

20 vessels

Seventeen vessels have been designed specifically for sailing on the Russian inland waterway system; three larger vessels will navigate the Caspian Sea only.

4 partners

We are working with leaders in their respective fields:

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



SUPER-GIANT ONSHORE PROJECT IN KAZAKHSTAN

The Tengiz oil field in western Kazakhstan was discovered in 1979. Today it is one of the world's deepest producing super-giant fields.

Tengizchevroil LLP (TCO) is a Kazakhstani partnership that explores, develops, produces and markets crude oil, LPG, dry gas and sulphur. TCO conducts its operations in accordance with world-class safety and environmental standards. In April 1993, Tengizchevroil was formed between the Republic of Kazakhstan and Chevron Corporation. Current partners are: Chevron Overseas Company, 50 percent; KazMunayGas NC JSC, 20 percent; ExxonMobil Kazakhstan Ventures Inc., 25 percent and LUKARCO B.V., 5 percent.



Source: www.tengizchevroil.com

TCO PROJECT OPPORTUNITIES

Creating opportunities through partnerships.

The TCO project is a high-profile investment, requiring the most exacting standards of operational assurance. To help us achieve these we are enhancing key relationships with leaders in their fields and engaging openly with them throughout the project.

The opportunities arising from the TCO project are considerable and wide-ranging – from the creation of local jobs, bespoke crew training and development, and the application of the highest environmental and safety standards, to the potential of increased earnings for all project partners and suppliers.

Enhancing our key relationships

TOPAZ'S HOME ADVANTAGE

The Caspian Sea is the planet's largest enclosed body of water and is bordered by Kazakhstan, Russia, Azerbaijan, Iran and Turkmenistan. Topaz has operated in the Caspian Sea since 1990. With over 33% regional market share, Topaz is an established OSV operator of choice for major oil and gas clients in this area.

WORKING WITH VESSEL DESIGN EXPERTS

Due to the dimensional restrictions in depth, height and width of the river canal systems, the weight of the modules and the exacting design specification requirements, the design process is complex. It was imperative to find a partner with a track record of shipbuilding expertise and innovation.

Our chosen shipbuilder is offshore vessel specialist Vard Group, in Norway, with whom we have an excellent and long-standing working relationship. Vard is part-owned by the Fincantieri Group, one of the largest shipbuilding companies in the world.

From the outset of the tender process we sat down with Vard's design lab to conceptualise a ship that could overcome the immense challenges imposed by the navigation route.

An additional twist to the brief was to build a ship with global applications following the completion of the Tengiz project.

During the vessel design drafting stage, we involved all project partners to ensure that the best of the shipping world were at the table, sharing their views during the early stages of design.

Through our early and open engagement with project partners and our proven working relationship with Vard, we believe we have designed a vessel that will not only deliver modules reliably and safely to the Tengiz project, but may also be a game changer for global river transport in the future.

 **More:** Risk Management, page 14



OUR BUSINESS MODEL

Creating future value. Our ability to secure significant, long-term contracts during and in the aftermath of the oil price crisis is testament to our ability to remain focused on our core strengths.

More than ever, our customers are insisting on high-quality service from committed employees and the most stringent safety standards associated with running a well-maintained and modern fleet. Whilst we have taken cost out of the business, we have never compromised on what our customers value and expect from us.

We have maintained financial stability through prudent investment and refinancing activities and are now in a position to work in the new price environment, confident of our ability to create future value.

A large, bold, white text overlay on a dark, atmospheric background. The background shows the silhouette of an oil rig against a sunset sky with warm orange and red hues. The text is the central focus of the page.

Positioned to deliver value

FACILITATING GROWTH AND EFFICIENCY

Topaz's involvement in the TCO project will enable the Tengiz oil field in western Kazakhstan, already one of the world's deepest producing super-giant fields, to increase its production capacity significantly.

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

- > 73% of revenue generated by Topaz Marine Caspian

More: Divisional Performance, page 29

Our strong track record in safety performance underpins our ability to win and renew contracts, and is something on which we will never compromise.

- > ZERO fatalities over 5 years

More: Safety Performance, page 22

The quality of our people and their high standard of service strengthen our customer relationships. Our senior management team is highly experienced in the maritime sector and remains resolutely focused on operational excellence.

- > US\$19 million paid in salaries

More: People Performance, page 24
Senior Management, page 40



We continue to mitigate EBITDA declines through our rigorous focus on cost control and cash management. We benefited from excellent relationships with our banks and lenders to refinance the parent company in 2016.

- > US\$81 million parent company debt refinanced

More: Financial Performance, page 27

Our core strengths allow us to attract, win and renew contracts with leading names in the industry – clients with blue-chip credentials and excellent credit ratings.

- > 81% of revenue comes from our top three IOC/ NOC clients

More: Business Review, page 18

Given the increasing emphasis on safety, operational uptime and fuel efficiency, our modern, high-specification and well-maintained fleet is a key success factor in OSV contract tenders.

- > US\$23 million invested in maintenance capex

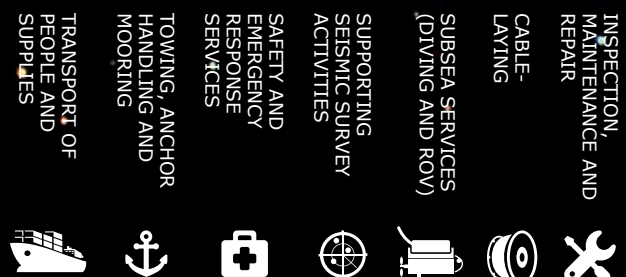
More: Fleet Performance, page 25

OUR CORE STRENGTHS

We differentiate our services from the competition and create value for our business through our core strengths: resources, relationships and values that are unique to Topaz.

We provide a range of essential services across the energy extraction cycle to oil and gas companies and contractors.

OUR CORE SERVICES



MARKET REPORT

Building business in tough conditions. Taking action to survive the oil price crisis has been tough but necessary and we have become stronger as a result.

Building our business

TOUGH TRADING CONDITIONS

Despite a gradual increase in the oil price in 2016 the OSV market has yet to recover and is still reeling from minimal capex spending by oil companies – now at a 10-year low – demonstrating the time lag between oil price movements and demand for OSV vessels. Our own experience bears this out; OSV demand deteriorated further during the year, with our own core fleet utilisation rates at 16 percentage points below 2015.

The demand weakness is further exacerbated by excess tonnage. Too many ships chasing reduced business has led to a period of unprecedented OSV pricing weakness with evidence of unsustainable price undercutting. Whilst the continued vessel stacking, and limited scrapping, helps to offset this negative trend, oversupply of OSV tonnage remains an issue.

MARKET CONSOLIDATION

Unsustainable vessel utilisation and market rates have resulted in further bankruptcies and closures in an already fragile OSV market. There are rich pickings for survivors – a chance to sweep up tonnage capacity, absorb competitors, and negotiate new builds at knockdown prices. Indeed, the OSV sector may be more streamlined in the medium to long term. However, not helped by a further dip in the oil price at the end of Q1 2017, the shakeout is likely to be protracted.

TOPAZ FOCUS

Our cost reduction and efficiency actions, taken immediately to ride the crisis, proved effective. But it soon became evident that these were not a one-off exercise but the 'new norm'. An oil price expectation of \$US 70-80/barrel became a pipe dream and our proactive actions to reshape our business around a \$US40-50/barrel price environment

proved to be a prudent move. Twelve-month oil price forecasts², published at the start of 2017, indicate US\$55/barrel.

The market is still tough but, operationally, we are in the right pricing zone and will continue to focus on being the most efficient operator and reinforcing our core strengths: our excellent safety track record, modern and well-maintained fleet, client-led service proposition and quality crew and personnel.

We will evaluate consolidation opportunities cautiously, by validating value creation and using strict criteria for our decision-making, looking at potential impact on financial returns, risk and culture.

Looking long term we believe that the rebalancing of supply and demand in the oil industry will, in time, boost OSV services. When this time will be remains unknown. Until then the task of building our business lies in our own hands.

KEY INDUSTRY DEVELOPMENTS

- > 2016 oil prices¹: low US\$27.88/barrel, high US\$56.82/barrel
- > 2016 year end oil price +52% versus year end 2015, but still significantly below pre-crisis price
- > 12-month forecast US\$55²/barrel
- > Oil companies' capex at 10-year low
- > Unprecedented level of distress and consolidation in OSV sector

TOPAZ CAPITAL EXPENDITURE (US\$M)

Maintenance and expansion (2012-2016)

YEAR	MAINTENANCE	EXPANSION	TOTAL
2012	13	87	100
2013	19	136	155
2014	20	276	296
2015	40	18	58
2016	23	21	44

IMPACT ON TOPAZ

- > Performance disappointing but ahead of market
- > 16 ppt drop in vessel utilisation rates; 12 vessels laid up
- > Able to demonstrate core strengths in distressed market
- > Investigating consolidation opportunities
- > Continued, selective capital investment

¹ Source: Thomson Reuters.

² Source: World Bank Commodity Forecast, January 2017.

Our financial, operational, organisational and commercial actions have enabled us to overcome the toughest of market conditions, reshape our business and secure a record pipeline of business with leading oil and gas companies.

SHORT-TERM ACTION TAKEN; LONG-TERM BENEFITS CREATED

FINANCIAL

US\$81m

Parent company debt successfully refinanced

- > Optimal capital structure in place
- > Relentless focus on cash flow and liquidity

OPERATIONAL

US\$40m

Operating and overhead cost savings in 2016

- > Focus on crew cost and vendor renegotiations
- > Further savings through integrated software

ORGANISATIONAL

4

Divisions established

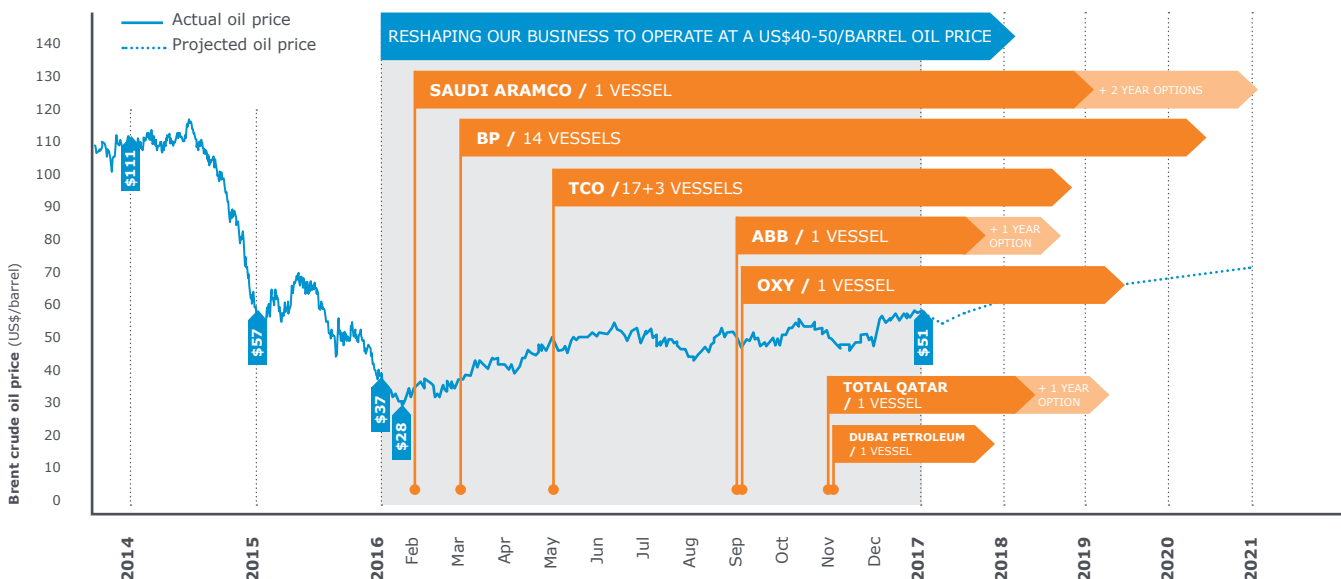
- > Cost-effective distribution of overheads
- > Centralisation of core functions

COMMERCIAL

US\$1.5bn

Future business secured

- > Significant contracts secured with BP and TCO
- > Improved earnings and credit strength



Source: Thompson Reuters and World Bank Commodity Forecast, January 2017.

PROTECTING REVENUE

35%

Global revenue protected through BP contract in Azerbaijan

3 years + 2 year options

Long-term contract with Saudi Aramco secured

GENERATING REVENUE (US\$M)

> 550

TCO contract value over three years

VISION, STRATEGY AND KPIs

Keeping our vision in sight. Our vision and strategy are communicated across our business to promote a shared direction and drive a strong performance culture.



To help achieve our vision we measure our performance against four strategic priorities.

STRATEGIC PRIORITY	MEASURES USED	GROUP KPI INFORMATION	PRIORITIES FOR 2017
OPERATIONAL EXCELLENCE	> Lost Time Injury frequency (LTif) > Return on net assets (RONA) > EBITDA > EBITDA margin > Core fleet utilisation > Technical downtime > Cost of sales	- KPI page 22 - KPI page 27 - KPI page 19 - KPI page 19 - KPI page 25	> Maintain absolute focus on QHSSE > Continue vigilant review of overhead and operating costs across the business > Consolidate oversight of marine standards and assurances at corporate level > Embed fleet-wide planned maintenance software to drive standardisation and efficiencies > Increase localisation in target markets, by employing local crew, co-investing with local entities and procuring goods from local sources
EXPAND, RENEW AND REALIGN OSV FLEET	> Return on net assets (RONA) > Core fleet growth > Average age of core fleet	KPI page 27	> Acquire assets with contract backing from distressed situations at below-market value > Focus on fleet renewal for medium to large AHSTVs and light subsea vessels > Divest another two to three non-core or ageing vessels
DIVERSIFY OUR STRATEGIC PORTFOLIO	> Revenue > Growth from new markets > Growth from new clients > Diversity of global portfolio	KPI page 19	> Win work in new asset segments and new geographical markets > Secure term work for new subsea vessels > Win medium- and long-term work in African and subsea markets > Consider M&A to expand fleet, accelerate positions of scale and acquire operating capabilities > Consider addition of added-value services > Evaluate opportunities in new markets
MAINTAIN A PRUDENT FINANCIAL POLICY WITH STRONG FUNDING CAPABILITY	> Return on equity (ROE) > Weighted average cost of capital > Interest cost > Covenant headroom	KPI page 27	> Refinance US\$350 million senior unsecured bond > Undertake regular reviews and stress tests of current liquidity assumptions and forecasts > Continue to reduce costs and maintain absolute focus on cash position > Negotiate appropriate headroom under banking covenants > Use cash flows to deleverage balance sheet, reduce net debt to EBITDA ratio and fund disciplined capital expenditure > Defer non-essential capex to preserve cash

RISK MANAGEMENT

Risk and reward. The understanding of risks, at both Group and operational level, guides how we think strategically and also influences our day-to-day decision-making.

Balancing risk and reward

RISK APPETITE

Risk is inherent to our business activities. In order to achieve our vision and strategic objectives we need to take calculated risks; otherwise we will stand still and run the risk of missed opportunity. However, there are certain areas of our business on which we will not compromise. The safety of our people and those working on our vessels is one key area; complying with applicable rules and regulations is another.

RISK RESPONSIBILITY

The Topaz Board of Directors has ultimate responsibility for managing risk – as shown in our governance framework on page 15. It is responsible for Topaz's internal control procedures, which include ensuring systems and procedures are in place to efficiently identify, assess and prioritise major risks.

RISK IDENTIFICATION

We have formally identified five key risk areas, which if not managed adequately could have a material adverse impact on Topaz's operational results, financial condition and prospects. Our key risk areas are explained on pages 16 and 17.

RISK MANAGEMENT

Topaz utilises an Enterprise Risk Management (ERM) process designed to provide the Board and management with the capabilities needed to identify, assess and manage the full spectrum of risks inherent in our industry and our own business operations.

Operational risks are managed by each key operational function and consolidated through our ERM approach at the corporate level. In addition, functional management at the Company'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.

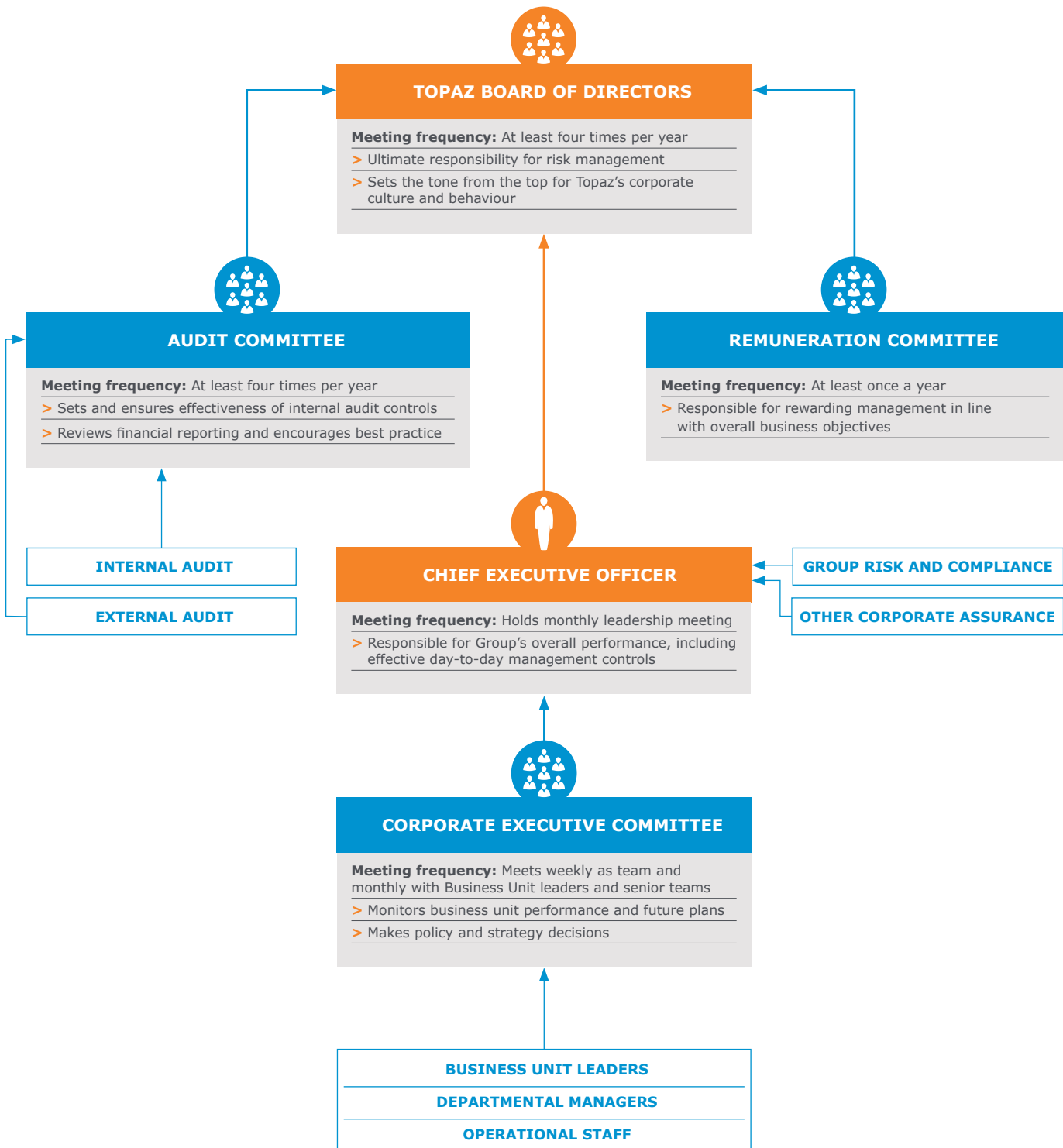
 **More:** Internal controls, page 35



RISK MANAGEMENT IN ACTION

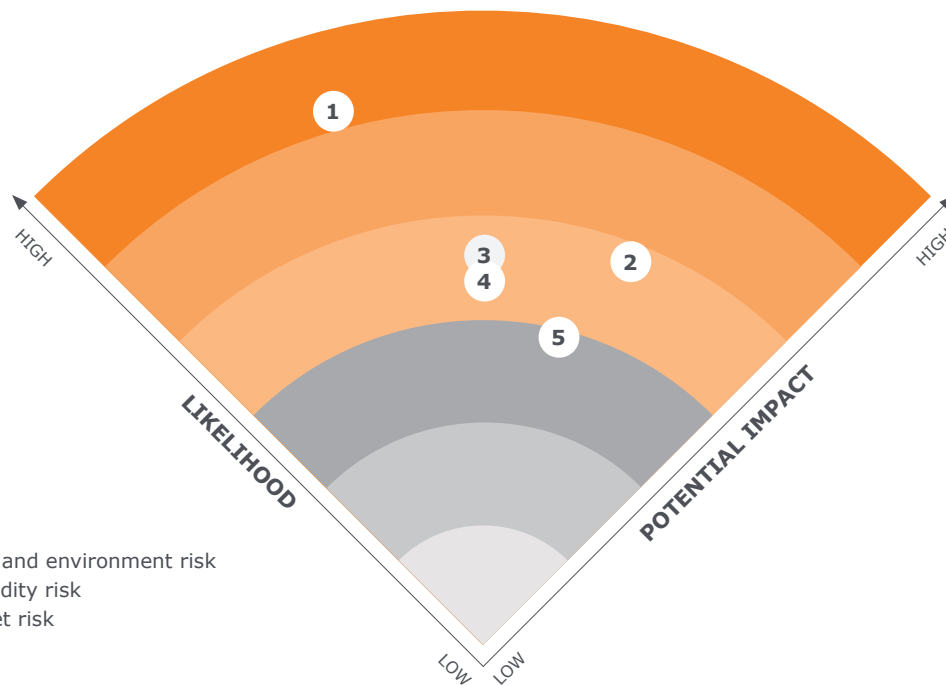
Topaz undertook an extensive risk management exercise prior to commencing the TCO project – Topaz's most complex contract to date. During this process Topaz's top five commercial/contractual risks and their mitigations in relation to the project were formally identified. These top risks will be managed proactively. A set of ancillary risks was also established – these are risks to be kept 'on the radar' and tracked for material change in likelihood or impact. Internally we have appointed a cross-functional steering committee to govern the TCO project at the corporate level above the project team. This team is also responsible for 'live' risk and issue analysis for the duration of the project.

Governance framework. Our overall governance framework supports our independent risk management and our systematic processes and reporting.



RISK MANAGEMENT

Prioritising our risks. We consider our key risks by their likelihood and potential impact on our ability to create value for our stakeholders and realise our strategic priorities. The diagram below gives an indication of where our risks sit in relation to our intrinsic risk appetite and helps to focus our mitigation priorities.



TOP FIVE RISKS

- 1 Industry risk
- 2 Health, safety and environment risk
- 3 Financing/liquidity risk
- 4 Political/market risk
- 5 Operating risk

KEY YEAR-ON-YEAR CHANGES IN RISK AREA PROFILES

INDUSTRY RISK



- > Investment by oil and gas majors fell to ten-year low and demand for OSVs continued to weaken in 2016
- > Any signs of market recovery at oil and industry levels will take time to impact OSV sector recovery
- > Delay to OSV sector recovery exacerbated by current tonnage oversupply

OPERATING RISK



- > Given the complexity, scale and uniqueness of the Tengiz project our operating risks increased in 2016
- > The Tengiz contract value represents a significant contribution to our revenue and profitability only from 2018 onwards

KEY RISKS

CHANGE
IN RISKSPEED OF RISK
MATERIALISING

1 INDUSTRY RISK



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 oil prices, and is beyond the Group's control. The precipitous fall in oil price in 2015 resulted in a curtailment in industry activity, which has impacted the offshore industry significantly. The OSV market deteriorated further in 2016.

POTENTIAL IMPACT

- > Decline in oil and gas industry expenditure could result in decreased demand for Topaz's services

MITIGATION STRATEGIES

- > Reliance on industry expenditure reduced through number of diverse clients, sectors and geographies
- > Operations tied in to stable development and production phases rather than the more volatile exploration phase
- > Robust base of NOC clients that, to a large extent, continue to invest through market downturns
- > Many long-term contracts straddle business cycles and smooth the impact of short-term volatility

RESPONSIBILITIES

- > Corporate Executive Committee, led by CEO

STRATEGIC RELEVANCE

- > Expand, renew and realign OSV fleet
- > Diversify our strategic portfolio

2 HEALTH, SAFETY AND ENVIRONMENT RISK

The Group's operations are exposed to a number of risks, such as adverse weather conditions, piracy, mechanical failures, collisions, sabotage and hazardous substance spills.

POTENTIAL IMPACT

- > Any health, safety or environmental (HSE) accident in which the Group is involved could result in significant reputational damage

MITIGATION STRATEGIES

- > Integrated management system used to ensure compliance with industry and regulatory requirements
- > Continuous training of frontline staff and reinforcement of safety culture
- > Company appropriately insured against financial losses associated with HSE incidents

RESPONSIBILITIES

- > Corporate Executive Committee, led by COO and Head of QHSSE

STRATEGIC RELEVANCE

- > Operational excellence

3 FINANCING/LIQUIDITY RISK

Topaz requires significant funding to finance capital expenditure to support continued business 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, currency and interest rate risk, and other factors which may be beyond Topaz's control.

POTENTIAL IMPACT

- > Inability to obtain sufficient financing on reasonable terms could prevent Topaz from effectively pursuing its growth strategy

MITIGATION STRATEGIES

- > Close, transparent dialogue with key lenders ensures aligned understanding and objectives
- > 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
- > Focus on long-term vessel charter, longer-term debt tenor and cash flows, mostly in US dollars
- > Currency risk mitigated by hedging 100% of estimated foreign currency exposure in respect of forecast capital commitments and by using forward currency contracts

RESPONSIBILITIES

- > Corporate Executive Committee, led by CFO

STRATEGIC RELEVANCE

- > Maintain a prudent financial policy with strong funding capability

4 POLITICAL/MARKET RISK

Topaz has historically generated 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.

POTENTIAL IMPACT

- > Any increase in political and economic turmoil in current/targeted areas of operation could impact business growth

MITIGATION STRATEGIES

- > Changing landscape of political risks in key countries monitored and evaluated
- > Operations in numerous markets reduce exposure to any one region
- > Policy of local recruitment in key markets entrenches local presence and acceptance
- > Main customers are IOCs and NOCs

RESPONSIBILITIES

- > Board and Corporate Executive Committee

STRATEGIC RELEVANCE

- > Diversify our strategic portfolio

5 OPERATING RISK

Topaz's provision of high-quality services to its variety of clients depends on its crew quality and efficiency, local regulations and dynamics, and the support from its vendors for supplies.

POTENTIAL IMPACT

- > Non-availability of efficient and skilled crew or timely support from vendors and suppliers could affect operations
- > Operational setbacks or delays in the relation to the Tengiz contract would have a major negative impact on revenue and profits from 2018 onwards

MITIGATION STRATEGIES

- > Focus on active crew competency through recruitment, training and Competency Assurance Programme (More on page 24)
- > Strong knowledge of local regulations
- > Standardised framework agreements with global and regional vendors to ensure business continuity
- > Extensive risk management and mitigation analysis undertaken before starting the Tengiz project
- > Internal cross-functional steering committee appointed to govern Tengiz project at the corporate level

RESPONSIBILITIES

- > Corporate Executive Committee, led by COO

STRATEGIC RELEVANCE

- > Operational excellence

BUSINESS REVIEW 2016

Resilient position in tough environment. Market conditions deteriorated further in 2016. Our performance was relatively strong, but disappointing by our own standards. We remain optimistic in the medium term given our concrete actions to control costs, secure quality contracts and work more efficiently.

The future positive business impact of the Tengizchevroil contract, awarded in 2016, cannot be underestimated and demonstrates our robust position in the marketplace.

Progress in tough conditions



René Kofod-Olsen, Chief Executive Officer

PERFORMANCE AND STRATEGY OVERVIEW

Q: Can you give us your perspective on Topaz's 2016 results?

A: 2016 was characterised by a further significant deterioration of market conditions across our markets, and globally. We performed resiliently, with a robust operational record, but could not deliver the financial performance our shareholders should expect. In summary, Topaz's results are unsatisfactory yet strong relative to our peers.

Our safety performance improved sharply and was markedly better than industry benchmarks, reflecting the effectiveness of our training, management engagement and the deepening of our safety culture.

The Group made significant operational progress in all key geographic areas. Key actions – driven by challenging market conditions but closely aligned to our strategic priorities – included building up our commercial footprint, further strengthening our financial platform, investing more in people, fleet, and systems, and adopting a shared service operating model.

I am confident that the strategic progress we have made to date will accelerate our ability to gear up for the market upturn, meet customer demand ahead of our competition and, ultimately, improve our profitability. Our progress in 2016 against our strategic priorities is summarised in the table on page 21 and our strategic focus for 2017 is on page 13.

MARKET CONDITIONS

Q: Is the oil price crisis here to stay?

A: We continue to believe this downturn is predominantly a cyclical phenomenon, although there are elements of a structural shift.

Demand for energy is steadily increasing, fuelled by growth in non-OECD countries, led predominantly by China and India. Today, energy from coal meets about 30% of this demand and renewable energy accounts for just a small percentage. The world's key energy is derived from hydrocarbons – oil and gas – and this will remain the case, as they will not be replaced by other sources for many decades. Meanwhile, hydrocarbon supply is dwindling due to serious underinvestment and natural reservoir declines. Given these impacts on the balance of supply and demand the oil price is expected to rise over time and boost offshore activity.

Q: Is this good news for Topaz?

A: The trickle-down effect to OSV owners, such as Topaz, will come, but there will be a noteworthy time lag. Vessel oversupply in 2016 – which led to competitors routinely accepting contracts below cost, reduced market rates and market destabilisation – will continue to dampen the rate of possible industry upturn. Stacked vessels staying out of service or increased scrapping will ease the situation, but the OSV industry will not return to its profitable trading conditions overnight.

Q: Can you weather the storm? Are you suitably capitalised to sustain further market weakness?

A: We have focused relentlessly on cost control, and reduced our operating expenditure and overheads by around US\$40 million over the past two years. This has come at the expense of reduced people compensation, redundancies, and pay freezes. These initiatives have been essential to remain competitive but, equally, contributed to short-term stress for our organisation. I would like to acknowledge the sacrifices made by our employees – thank you for your understanding in these difficult times.

In 2016 we increased our commercial focus and resources, locking in term contracts at lower rates to create sustainable cash flow and build up our contract backlog. We improved our balance sheet by reducing near-term capex commitments, and the refinancing of US\$350 million senior secured debt in 2015 benefited us greatly this year, giving us the necessary runway until 2022. We expect, imminently, to close constructive conversations with our banks to maintain the required covenant headroom.

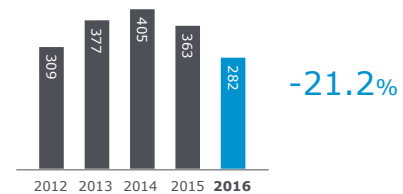
In 2017 we will refinance our bond that matures in November 2018 and are confident that our bondholders, who have supported us to date, will do so going forward. Our parent company, Renaissance Services SAOG, has demonstrated ongoing support by deferring its subordinated shareholder loan repayments, which assists our liquidity profile in 2017 and 2018.

 **More:** Safety Performance, pages 22

 **More:** Market Report, pages 10

REVENUE (US\$M)

KPI

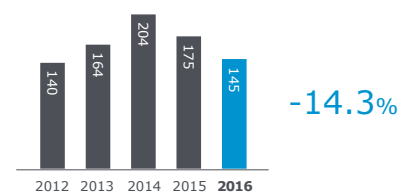


Why we have chosen this KPI

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

EBITDA (US\$M)

KPI

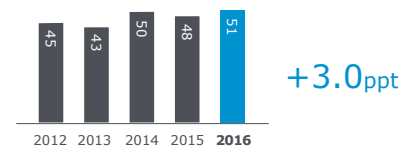


Why we have chosen this KPI

To monitor the operating profitability of the business

EBITDA MARGIN (%)

KPI



Why we have chosen this KPI

To measure how efficiently we convert revenue into EBITDA

Q: Last year you talked about potential OSV industry consolidation. Have there been any developments for Topaz?

A: Consolidation will continue to unfold in geographical clusters – Norway, USA, Asia and, finally, the rest of the world. We believe that significant opportunity exists for us to create value through cost and portfolio optimisation. Our prediction for the OSV industry is that customers will outsource a greater variety of tasks. Corporate combinations that enable us to achieve this would be attractive.

We are widely solicited as a platform for consolidation thanks to our market positioning, young fleet, industry-leading contract backlog, client relationships, and diversified portfolio. During 2016, we monitored and evaluated potential targets and opportunities of interest, adhering strictly to our principles for corporate M&A activity: avoiding importing excessive risk, preserving our corporate culture and applying disciplined criteria with respect to return on capital and leverage.

BUSINESS WINS

Q: Despite the difficult trading environment you secured significant contracts – can you summarise these?

The Tengiz project was a monumental win for the business in 2016. We also signed a substantial contract for 14 vessels with BP Azerbaijan, which has been crucial to stable cash flow generation through this challenging period, and secured a number of smaller contracts, notably a three-year contract with Saudi Aramco, a one-year contract with ABB, and contracts with TOTAL Nigeria for our African PSV fleet.

Q: How important is the Tengiz contract win for Topaz?

A: The Tengiz project has quickly elevated Topaz to one of the key global OSV and logistics suppliers, and we intend to capitalise on this. It represents our first foray into offshore support with a significant logistics component. Our vessels have the potential to revolutionise the river transport business, creating a more diversified offering following the project's conclusion and benefiting Topaz in years to come.

More immediately, the contract's monetary value of over US\$550 million from 2018 onwards will enhance our results and contract backlog significantly, improve our credit strength and sharply increase the value of the franchise. The strong relationships and trust we have

established with TCO, and its partners, predominantly Chevron and Exxon, are immensely valuable and we aim to leverage these elsewhere. Equally we have created robust and encouraging relationships with KMG and KMTF in Kazakhstan, giving us great appetite for more business in that growing economy.

MANAGEMENT CHANGES

Q: You have announced some key executive management changes. Why?

A: I am very pleased with our ability to attract top international talent. Martin Helweg joined us in March 2017 from A.P. Moeller-Maersk as COO and Hicham Hachkal joined us in January 2017 from Seadrill as HR Director. Both have a proven track record of executive performance. To lead our important commercial strategy, Robert Desai has been appointed Chief Commercial Officer, effective January 2017.

I would like to thank our outgoing executives, Geoffrey Taylor and Ealbra Moradkhan, for their valuable contributions over the years and wish them well in their future ventures.

OUTLOOK

Q: What do you expect 2017 will hold?

A: 2017 is expected to be as challenging as 2016, but with some green shoots. With oil prices having stabilised at above US\$50/barrel and the more positive outlook, I believe that capex will start to flow into key oil exploration and production projects. The significant structural reduction of cost in the supply chain, although it came as a heavy burden on oilfield services companies such as Topaz, will also help drive the recovery as this has made offshore projects profitable that previously were not.

In light of the above, cost and cash discipline will continue to be our key mantras in 2017. We will continue our drive to work smarter and more efficiently through technology – embracing the full potential of the digital revolution. But we must also remain alert to opportunity in a turning market.

 **More:** TCO Contract, pages 4 to 7

 **More:** Senior Management, page 40

PROGRESS AGAINST STRATEGIC PRIORITIES 2016

OPERATIONAL EXCELLENCE

- > Improved safety performance, ahead of industry benchmarks
- > Undertook fourth annual safety culture survey
- > Decreased operating and overhead cost base by US\$40 million through vigilant control
- > Achieved leading core fleet utilisation of 70%
- > Moved to shared services operating model
- > Implemented Customer Relationship Management software

EXPAND, RENEW AND REALIGN OSV FLEET

- > Commenced construction of 17 MCVs to diversify fleet from 2018
- > Laid up 12 underutilised vessels to protect profitability and cash
- > Maintained industry-leading average core fleet age (c. eight years)

DIVERSIFY OUR STRATEGIC PORTFOLIO

- > Laid foundation for strategic partnership in new asset segment
- > Secured work in new markets, e.g. Mediterranean
- > Won work in new segments, e.g. MCVs, river transport, oil logistics

MAINTAIN A PRUDENT FINANCIAL POLICY WITH STRONG FUNDING CAPABILITY

- > Reduced current capex and commitment to future capex, unless value creation jeopardised
- > Took a non-cash vessel impairment charge to align values with current market dynamics
- > Locked into longer-term contracts to maximise earnings/cash flow visibility

LEADING THROUGH INNOVATION: REINVESTING IN OUR SUBSEA FLEET

TOPAZ TANGAROA AND TOPAZ TIAMAT

Fit-for-purpose light subsea and Installation, Repair and Maintenance (IMR) vessels

In September 2015, we announced an investment of US\$115 million in two state-of-the-art subsea vessels, demonstrating our optimism about the longer-term opportunities in the subsea IMR segment. Both are multi-purpose support vessels, dedicated to all classes of remotely operated underwater vehicles, and have been especially designed for the subsea environment.

En route, on schedule

Both vessels are to be delivered in the first quarter of 2018. *Topaz Tiamat* is already at the Vard facility in Brattvaag, Norway, where she is being fitted out and readied for service. In March 2017, her sister, *Topaz Tangaroa*, was launched from Vard's shipbuilding facilities in Romania. She has now started her long journey to Norway, under tow, to join her sister in Brattvaag for outfitting.

Designed with subsea in mind

With excellent subsea capabilities, our vessels can perform a variety of tasks – from seabed mapping and cable-laying to pipeline decommissioning and disposal work, and construction and maintenance of subsea assets at depths of up to 3,000 metres. Designed to operate in extreme weather conditions with economical fuel consumption, our vessels' emissions, noise and vibration levels are designed to be minimal, thus ensuring high comfort levels for their crews and minimal disturbance and impact to the environment.



120

 tonnes

With 120 tonnes of single hoist AHC (active heave compensated) crane capacity, main crane operations can be carried out over the stern, over the side, or through the 7.2m x 7.2m moonpool. The crane also enjoys increased pedestal height for exceptional visibility, as well as being man-riding capable.

2

 x WROVs

The dual hangars, port and starboard side, can accommodate two WROVs (Work-class Remotely Operated Vehicles) and are equipped with world-class launching and tether management systems. ROV mechanical workshops are located on the A-deck along with a data/survey room, conference room and client office space.

DP2

IMR vessel specification

- > Length overall: **98.1m**
- > Breadth moulded: **20.0m**
- > Depth to main deck: **8.5m**
- > Max. draught: **6.0m**
- > Accommodation: **82 persons**
- > Class: **DNV classification**
- > Diesel electric



SAFETY PERFORMANCE

Q: How did you rate your safety performance this year?

A: We were very pleased in January 2017 to have returned to an LTI-free period of over 12 months, having lost this position in December 2014. Our Total Recordable Injury Rate and Environmental Incident Frequency measures also improved. In other areas such as safety observation and management visit rates, our performance remained significantly higher than the industry benchmark.

Q: Is beating the industry benchmark the ultimate aim?

A: Absolutely not. It acts as a guide and helps us to put our performance into perspective but we continue to target zero accidents across our business by pursuing QHSSE excellence throughout the organisation. I cannot stress enough the importance that we place on this. Many of our people work in potentially dangerous environments and their safety is paramount. Our continual focus on safety performance first and foremost safeguards lives. It also improves our levels of operational excellence, which underpin the Group's reputation, client relationships and ability to implement strategy effectively.

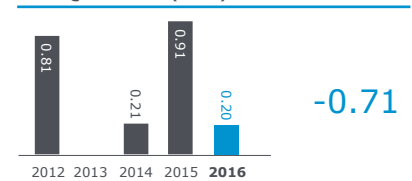
Q: Are there any particular initiatives that have helped improve your performance?

A: We have made great strides in enhancing our safety culture. We believe the best way to achieve this, alongside insisting on adherence to the highest standards, is to engage our employees in the process – using their ideas and experience to transform our culture, as we do, for example, through the Topaz Safety Culture Survey. We now have four years' worth of valuable data, having completed our fourth annual Safety Culture Survey in 2016.

Q: Didn't your employee participation level in the Safety Culture Survey drop this year?

A: Yes it did. 63% of employees completed it in 2016 against 77% in 2015. This acts as a reminder that we must never become complacent in the area of safety, even when business is tough. In fact, especially when business is tough. Nonetheless this was a high enough participation rate to gauge and act upon employee feedback, which is analysed by our dedicated team of occupational psychologists. Of particular note are the free-text comments, which we translate into value-adding actions and initiatives across the Group. We are currently in the process of publishing this year's findings and gaining further insight into how our safety culture continues to develop.

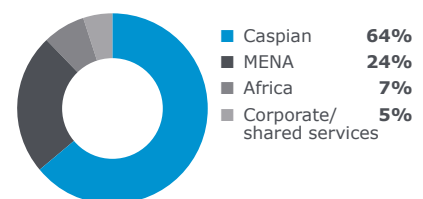
LOST TIME INJURY FREQUENCY (LTIf)



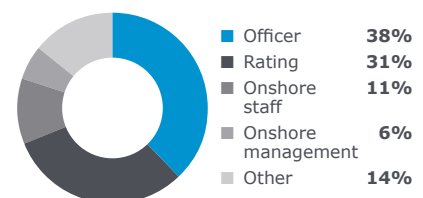
Why we have chosen this KPI

To measure our safety performance

SAFETY CULTURE SURVEY RESPONSES BY REGION



SAFETY CULTURE SURVEY RESPONSES BY RANK/ROLE



MEETING THE RIGHT STANDARDS

Topaz stringently complies with and applies a number of international conventions and standards, as well as periodic survey and inspection requirements. International conventions with provisions relating to QHSSE include:

- > the International Safety Management Code for the Safe Operation of Ships and Pollution Prevention ('the ISM Code');
- > 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/Vessels ('MARPOL 73/78'), which in the Caspian region strictly limits, and in some cases entirely prohibits, the discharge of waste (including garbage, grey water, sewage and oil);
- > 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 management) and OHSAS 18001 (Occupational Health and Safety); and
- > Offshore Vessel Management Self-Assessment (OVMSA) and Offshore Vessel Inspection Database (OVID) – key assessment tools demanded by our oil major clients.

Topaz has historically undergone annual external audits of its compliance with the standards above. Topaz's QHSSE teams also carry out relevant internal audits on a regular basis. Topaz remains an active member of the International Marine Contractors Association (IMCA), an international trade association promoting safety within the offshore, marine and underwater engineering industries.

Q: Were there any other key safety developments in 2016?

A: In last year's Annual Report and Accounts we updated you on our inaugural Self-Verification Programme (SVP) – a tool which provides Topaz employees and client representatives with clear and documented goals and targets across all functions. Our overall aim is for the SVP to help us achieve absolute operational excellence and internal oversight, leading to world-class services across all operations. This programme continued to stay high on our agenda throughout 2016.

In 2016 we also successfully maintained the certification of Integrated ISO and OHSAS standards at a Group level for our fleet, in all three key standards – 9001, 14001 and 18001. This ensures our processes remain standardised and efficient, delivering the quality of service expected by Topaz and demanded by our clients.

Q: What impact does your fleet age have on your safety record?

A: We know that by operating more modern and better-functioning vessels and equipment we are less likely to experience technical and safety issues than with older equipment.

This undoubtedly has a positive impact on our QHSSE drive and resulting performance. For these reasons the deployment of a younger fleet, with an average vessel age significantly lower than the industry average, remains one of our strategic priorities.

Q: What are your QHSSE priorities in 2017?

A: We will continue to focus on:

- > the causes of all incidents and applying 'lessons learnt' to enhance the safety of our operations and workplaces;
- > maintenance of an LTI-free environment to reflect our progress towards our accident- and incident-free goal;
- > cultural transformation regarding how we manage safety, enabling employees to learn from successes as well as failures;
- > embedding safety engagement as a critical element of operational excellence;
- > building upon our successes and learnings from our annual Safety Culture Survey and raising awareness to improve participation rates; and
- > promoting the correct use of our Safety Management System and the QHSSE module in our NS5 fleet planned maintenance software as a concrete tool driving safety improvement in 2017.

**TOPAZ SOPHIE COMMENDED FOR OPERATIONAL COMMITMENTS**

In September 2016, *Topaz Sophie* received a special award from TOTAL Nigeria in recognition of her 'Operational Commitment'. The first of its kind to be given by TOTAL Nigeria, this award recognises excellence in fuel economy, operational safety, management offshore visits, operational anomaly reporting and attendance by the vessel's senior crew at all Service Quarterly Meetings.

QHSSE PERFORMANCE

KPI		OUR 2016 PERFORMANCE	INDUSTRY BENCHMARK ¹	VARIANCE 2016/2015	CHANGE IN PERFORMANCE
FATAL ACCIDENT RATE (FAR)	The number of fatal incidents per 100 million hours worked	ZERO	2.66	+/- 0.0	➔
LOST TIME INJURY FREQUENCY (LTIF)	The number of injuries resulting in time away from work per one million hours worked	0.20	0.38	-0.71	⬆
TOTAL RECORDABLE INJURY RATE (TRIR)	The number of recordable injuries per one million hours worked	0.80	1.59	-1.39	⬆
ENVIRONMENTAL INCIDENT FREQUENCY (ENVf)	The number of incidents resulting in environmental impact per one million hours worked	ZERO	1.17	-0.73	⬆
SAFETY OBSERVATION FREQUENCY RATE (SOFR)	The number of safety observations submitted per 200,000 hours worked	1,012.30	313.95	-185.41	⬇
MANAGEMENT VISIT RATIO (MVR)	The number of managerial visits per 200,000 hours worked	34.95	5.79	-1.19	⬇
TOTAL HOURS WORKED²		4,943,568	IMCA Band D	-552,712	

¹ International Marine Contractors Association (IMCA) Safety Statistics for 2015, published June 2016.

² Positive/negative change not applicable.

PEOPLE PERFORMANCE

Q: Has the crisis impacted your ability to retain and attract talent?

A: We have been through a very tough period. Regrettably, along the way we have had to make some sacrifices in terms of redundancies and pay cuts/freezes. We did not undertake these lightly; they were some of the many actions we took to stay in business during the crisis. Despite this we have retained a relatively high level of management, staff, and crew rank. The average length of service for our senior officers is four years and our ratings crew 3.5 years. This demonstrates the loyalty of our people and justifies the belief that we hold, right across the business, that Topaz's long-term path in the OSV industry is brighter than for many others.

Q: Can you summarise the recent leadership team changes?

A: We have fortified our leadership team with two external appointments and one internal promotion and these reflect our focus on operational excellence. We are delighted to welcome Martin Helweg as our new Chief Operating Officer and Hicham Hachkal as our new HR Director. Robert Desai has been appointed Chief Commercial Officer to ensure appropriate focus on our crucial commercial strategy.

Q: Are you confident that you have the right people for future growth?

A: Yes, and it is essential that we do, as the quality of our people is very important – it underpins our business model and is one of our competitive strengths, as recognised by our clients. That is why, even though we have taken tough measures, we have also continued to invest in our people during the downturn.

Q: What investments have you made?

A: We carried out an Employee Engagement survey to identify priority issues related to crew living and working conditions; we also continued the roll out of our Competence Assurance Programme (CAP). We have now assessed 30% of Masters and Chief Engineers, up from 15% in 2015, and are extending this programme to Chief Officers and 2nd Engineers. This is made possible by the mobilisation of our third team of Operational Assurance Officers, who are trained to assess offshore employees against core and vessel-specific competences.

We continue to train our crew on board vessels using high-specification Videotel units, and also use sophisticated maritime simulators for anchor handling, winch operations, DP assessments and Crew Resource Management training.

Q: Last year you talked about the importance of recruiting locally – is this still the case?

A: The recruitment of local employees and suppliers brings a number of benefits – it enhances our local brand and knowledge, has the potential to reduce cost, and can reduce administration. To give you an example of our diversity, we have over 49 different nationalities amongst our staff and crew.

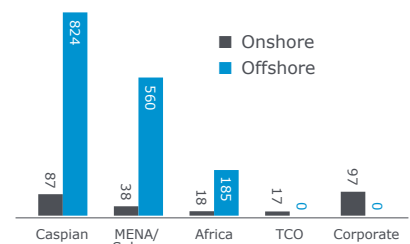
Many of our clients also set contractual targets for us to recruit a set percentage of local people in certain operational areas. We have a good track record of meeting these requirements and were very pleased in 2016 to have achieved a 100% localisation target for *Topaz Glory* in the difficult and limited market of Turkmenistan. We also made excellent progress against our localisation target in Kazakhstan, helped by the launch of our cadet programme in that region, which secured permanent crew members and a future pipeline of high-quality trainees. In Saudi Arabia, our ongoing collaboration with the King Abdul Aziz University (KAAU) resulted in eight Saudi trainees receiving Certificates of Competence (CoC) – the first ever issued in the Kingdom of Saudi Arabia. Our unique approach to professional training was recognised by one of our clients, who invited us to discuss the possibility of establishing a Maritime Academy in the Kingdom.

Q: What are your 'people' priorities in 2017?

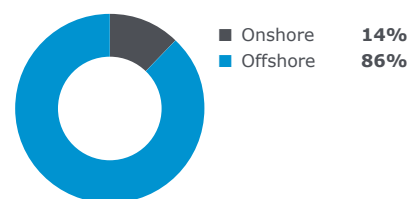
A: We will continue to support and promote initiatives to help us attract and retain the best talent in the industry:

- > continued assessment of operational competences against CAP;
- > local initiatives to support client localisation requirements;
- > state-of-the-art on-board crew and simulator training;
- > strategic links with universities to support cadet sponsorship and sea training;
- > Tengiz resourcing with the aim to ensure having the right capacity and capabilities when starting operations; and
- > Keep ensuring we have the right capabilities across our organisation.

EMPLOYEES BY REGION NUMBER



ALL EMPLOYEES (%)



TEAMWORK, COORDINATION AND (A LOT OF) FLEXIBILITY

Our crew on board *Topaz Amani* – one of our seven Platform Supply Vessels (PSVs) currently operating in our Topaz Marine Africa division – had great fun arranging (and rearranging) themselves for some aerial photography. We were grateful for this gesture, which exemplifies the great morale and team spirit of our employees out at sea.

FLEET PERFORMANCE

Q: Can you explain the difference between your total and core fleet figures?

A: The total number of vessels in our current fleet stands at 97 and excludes any confirmed orders for new builds. Our core fleet comprises 60 AHTSVs, PSVs, MPSVs and ERRVs, as detailed in the table below. These vessel classes are considered 'core' as they represent the bulk of our strategic investment owing to the specialised services they carry out. The remainder of our fleet is made up of eight crew boats, 23 barges and six miscellaneous vessels.

In terms of vessel class importance, half of our core fleet is made up of AHTSVs and 45% of our core fleet is managed by Topaz Marine Caspian.

Q: You mentioned confirmed orders for new builds – what vessels are in the pipeline?

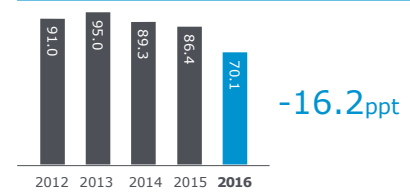
A: We have 20 new builds underway: 17 Module Carrying Vessels (MCVs) – a brand new type of vessel, being built as part of the TCO project; two DP2 subsea vessels and one AHTSV. The MCVs are on schedule, with the first ones due to be delivered in July 2017. The AHTSV and the subsea vessels will be delivered in Q1 2018.

Q: You talk about the quality of your fleet being a competitive differentiator. Is this still the case, given the excess tonnage that exists in the market at the moment?

A: Absolutely. We pride ourselves that our fleet is eight years younger than the industry average as we have worked hard to achieve this. We manage a younger fleet that is safer and more reliable, cost-effective and environmentally friendly than others.

These attributes are very important, as our clients are increasingly demanding higher standards of safety and operational performance. Having said that, the excess tonnage currently in the marketplace has put pressure on day rates and short-term market pricing. We must be as price-competitive as possible, but never at the expense of operational excellence, as this is key to us securing long-term contracts with leading oil and gas operators.

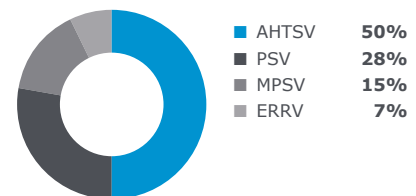
CORE FLEET UTILISATION (%)



Why we have chosen this KPI

To measure the average operational uptime of our core fleet

CORE FLEET BY VESSEL TYPE (%)



OUR CORE VESSELS

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTSVs)



30
VESSELS IN SERVICE

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

PLATFORM SUPPLY VESSELS (PSVs)



17
VESSELS IN SERVICE

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

MULTI-PURPOSE SUPPORT VESSELS (MPSVs)



9
VESSELS IN SERVICE

Multi-purpose vessels designed to support a range of offshore activities.

EMERGENCY RESPONSE AND RECOVERY VESSELS (ERRVs)



4
VESSELS IN SERVICE

Vessels designed to provide safety support to offshore installation and typically equipped with fast rescue, firefighting and oil recovery facilities.

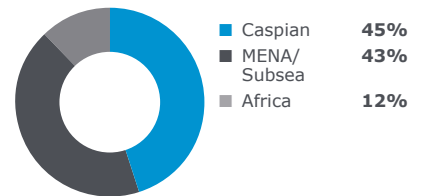
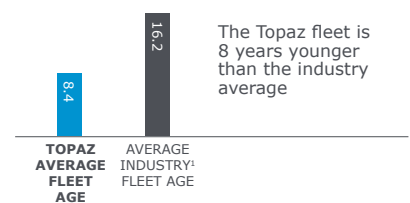
Q: What are your main areas of focus in relation to operational excellence?

A: Safety is our absolute priority and, as we talk about elsewhere, now that we have returned to an LTI-free environment we are determined to stay there. In 2016 we improved further 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.

In 2016 we completed our migration to NS5 – an integrated software system which streamlines maintenance, dry-docking, procurement and QHSSE from a single technology platform. People have been trained up and the system is now in use. We should start to benefit from this investment in 2017 as we move to one standard, irrespective of region or vessel class, to provide additional safeguards whilst reducing costs.

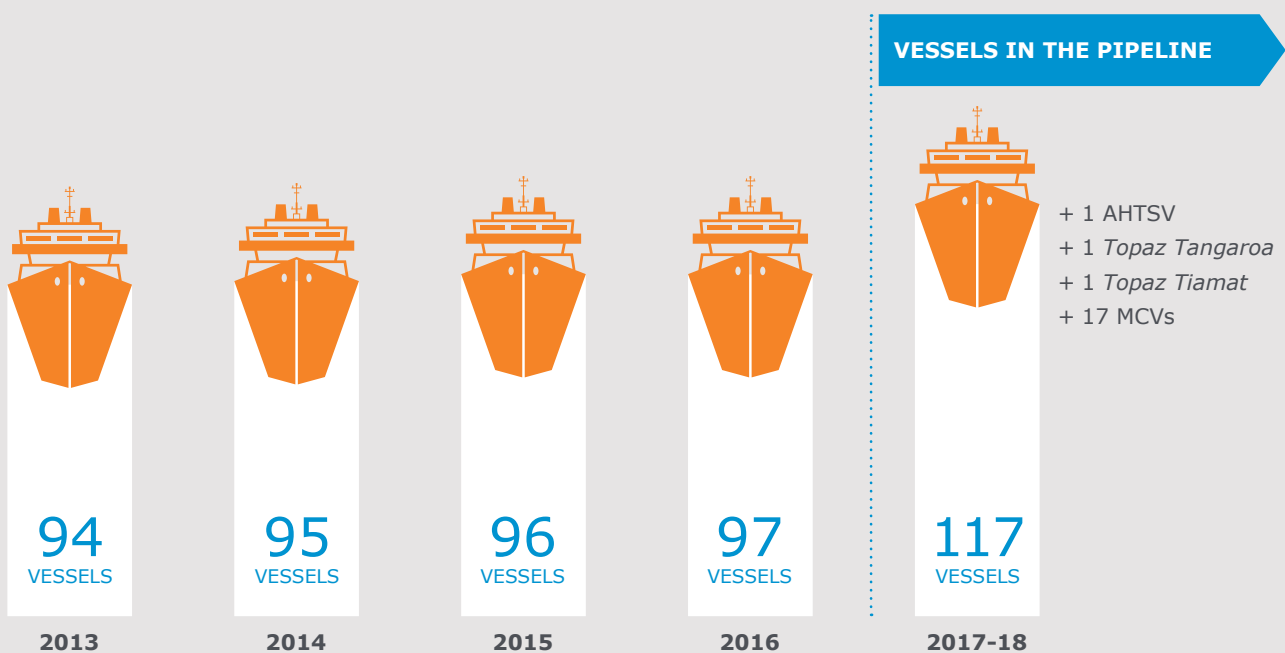
Q: What are your priorities in 2017?

A: We need to strike an operational balance. We will focus on delivering the new builds on time and putting them into service in order to achieve our return on investment. Equally, we must be alert to changing market challenges and opportunities and take a prudent view on how best to utilise our existing fleet. This includes moving vessels to different regions and laying up vessels. We currently have 12 vessels out of service. This reduces but does not completely eliminate operating costs as we keep crew to carry out ongoing maintenance. This ensures that our high vessel standards are achieved during the lay-up period and also minimises the reactivation period when market demand triggers bringing a vessel back into service.

TOPAZ MARINE CORE FLEET
% OF VESSELS, BY DIVISION**AVERAGE OSV AGE**
YEARS

¹ OSV definition for industry data includes AHTSVs, AHTs, PSVs, Crew Boats and MPSVs only.

Source: Clarkson Research.

GROWING OUR FLEET DURING THE CRISIS

FINANCIAL PERFORMANCE

Q: What caused your 22.2% decrease in revenue?

A: Our revenue fell from US\$362.5 million to US\$282.0 million as a result of tough market conditions. The reduction in revenue is attributed to many factors such as lower utilisation, lower rates, rate reductions on existing long-term contracts, lower mobilisation income and revenue loss on laid-up vessels due to insufficient charters. We faced much tougher trading conditions in MENA and Africa during the year, resulting in the shortfall in revenue.

Q: Your continued focus on cost reductions throughout 2016, however, proved successful?

A: Yes. We reduced operating and overhead costs by 32%, amounting to US\$40 million, representing a year-on-year improvement. We focused relentlessly on every element of our operating parameters, thereby reducing costs. For example, we optimised our overhead heavily and aligned crew costs with market pricing, and renegotiated maintenance costs and framework agreements with our core suppliers. We also targeted savings in areas such as insurance, idle costs, fuel, and other direct costs as part of a strategic efficiency programme, which controlled costs without compromising coverage or standards.

The increase in depreciation/dry-dock costs correlates with the increased number of vessels in our fleet and the amortisation of costs for dry-dockings completed in 2015.

Q: But you made other savings, too – was this part of the same efficiency programme?

A: Yes, we applied efficiency initiatives across our business. A reduction in operational staff costs, for example, helped decrease administrative expenses by US\$6.2 million, or 15.9%, from US\$38.8 million to US\$32.6 million.

We also reduced our finance costs by US\$9.6 million – a 14% decrease from US\$69.2 million to US\$59.6 million, which was accounted for by last year's one-off, non-cash charge of US\$8.3 million towards unamortised costs on refinanced facilities.

Finally, our income tax expense decreased by 39% – from US\$22.2 million to US\$13.5 million – compared to the same period last year as a result of a deferred tax credit, which arose due to a vessel impairment charge.

Q: Your EBITDA declined by 16.9%. What were the key reasons for this?

A: Our year-on-year decline in EBITDA of US\$29.5 million, from US\$174.5 million to US\$145.0 million, related mainly to lower revenue as explained above. We did, however, manage to claw back a part of that revenue loss by reducing our cash costs right across our business.

Q: How did you achieve such a high cash conversion?

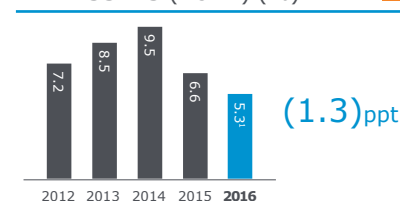
A: Our high cash conversion was attributable to our focus on timely collection of debt and stricter working capital management. At the year end, our cash generation as a percentage of EBITDA was 106%, up from 93% at the end of 2015.

A table showing our cash flow breakdown is on page 28. To explain this further, investing activities included a US\$22.2 million payment towards expansion capex, US\$20.4 million towards maintenance capex and a capex payment of US\$108 million – the first milestone payment to Vard under the new build contract – which was entirely funded by an advance payment received from the client. Financing activities include a bilateral debt repayment of US\$30 million and US\$23.4 million towards parent company debt.

Q: Did you comply with your financial covenants?

A: Yes, as discussed elsewhere, we renegotiated our banking covenants with our long-term banking partners, improving our liquidity and easing our headroom. This is detailed in the table on this page. Unutilised banking lines include a Revolving Credit Facility of US\$100 million, which expires in April 2020. Draw-down on this facility is contingent on meeting the financial covenants. Discussions are ongoing with Senior Secured Lenders to reset covenants to ensure headroom in 2017 and 2018.

ADJUSTED RETURN ON NET ASSETS (RONA) (%)

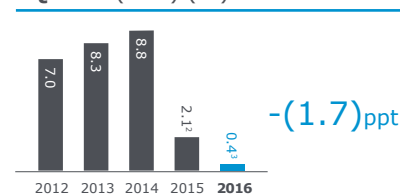


¹ Before exceptional items.

Why we have chosen this KPI

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

ADJUSTED RETURN ON EQUITY (ROE) (%)



² Excluding impairment charge for 2015.

³ Before exceptional items.

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 2016, Topaz has complied with all financial covenants, as set out below:

FINANCIAL COVENANT	THRESHOLD	AS AT DEC 2016
Net interest-bearing debt to EBITDA	< 4.50	4.18
Headroom		7%
Tangible net worth	> US\$400M	427
Headroom		7%
Free liquidity (in millions)	> US\$30M	47
Headroom		57%
EBITDA to DSCR	> 1.2	1.62
Headroom		35%

CASH FLOW (US\$M)

The following table sets out a breakdown of cash flow for 12 months ended 31 December 2016.

	12 MONTHS ENDED		VARIANCE
	DEC 2016	DEC 2015	
EBITDA	145.0	174.5	(29.5)
Changes in working capital	17.2	5.8	7.4
Cash generated from operations	162.1	180.3	(22.1)
Cash conversion	112%	103%	–
Income tax paid	(17.7)	(20.9)	(3.2)
Interest paid	(55.0)	(55.2)	(0.2)
Net cash generated from operating activities	89.4	104.2	(18.7)
Cash used in investing activities	(42.6)	(60.1)	(17.5)
Cash used in financing activities	(62.4)	(52.4)	(10)
Increase/(decrease) in cash and cash equivalents	(15.6)	(8.3)	(11.2)

FINANCING

	MATURITY	INTEREST RATE	REPAYMENT	OUTSTANDING AS AT 31.12.16 US\$000
Conventional and Islamic facility	7 years	3-month LIBOR + 2.75%	Quarterly with bullet repayment	300,131
Senior Notes ¹	5 years	8.625%	Bullet	344,821
Total Topaz loans				644,952

¹ Reported as per International Financial Reporting Standards (IFRS) in US\$.

CAPITALISATION (US\$M)

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

	DEC 2015	DEC 2016	GROWTH DEC 15 V DEC 16
Cash and cash equivalents	55	39	(16)
Floating rate senior secured loans	329	300	(29)
Other loans/Senior Notes ¹	342	345	3
Subordinated shareholding funding	104	81	(23)
Total debt	775	726	(49)
Total equity	574	463	(111)
Total capitalisation	1,349	1,189	(111)
Net debt	720	687	(33)
Total debt/LTM EBITDA	4.44	5.0	–
Net debt/LTM EBITDA	4.13	4.7	–

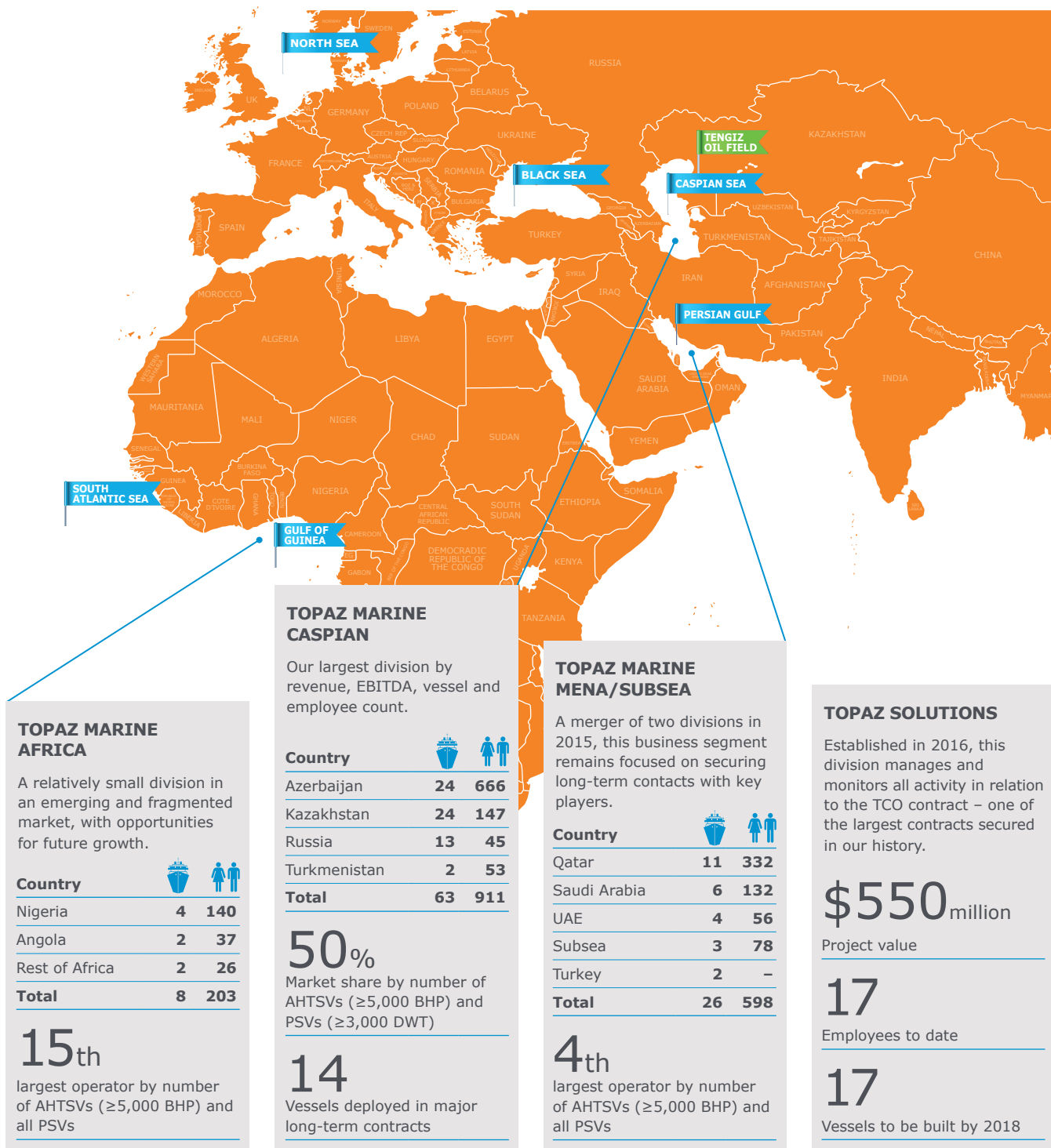
¹ Recorded as per International Reporting Standards (IFRS) in US\$.

DIRECT COSTS (US\$M)

	12 MONTHS ENDED		VARIANCE
	DEC 2016	DEC 2015	
Crew cost	54.6	78.0	(23.4)
Technical maintenance	12.9	15.1	(2.2)
Depreciation/Dry-dock	73.3	69.4	3.9
Mobilisation charges	4.4	13.1	(8.7)
NBV asset sold	–	3.6	(3.6)
Others	33.1	39.4	(6.3)
Total	178.3	218.6	(40.3)

DIVISIONAL PERFORMANCE

Strong local and operational focus. To ensure a cost-effective distribution of overheads and to reflect how we focus our resources, we operate four divisions. In 2016 we established a new reporting division to manage the TCO project.



More:
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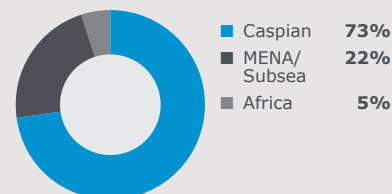
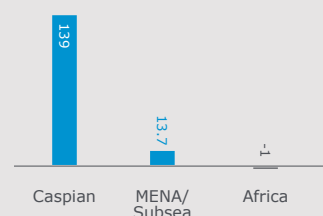
Note: 97 employees work in our Corporate office/Shared Services. Total vessel numbers include laid-up vessels.

REVENUE BY REGION (US\$M)

	3 MONTHS ENDED		12 MONTHS ENDED		VARIANCE
	DEC 2016	DEC 2015	DEC 2016	DEC 2015	
Caspian	50.6	54.6	206.0	228.0	(22.0)
MENA/Subsea	12.6	26.7	61.8	105.6	(43.8)
Africa	2.8	7.0	14.2	28.9	(14.7)
Total	66.0	88.3	282.0	362.5	(80.5)

EBITDA BY REGION (US\$M)

	3 MONTHS ENDED		12 MONTHS ENDED		VARIANCE
	DEC 2016	DEC 2015	DEC 2016	DEC 2015	
Caspian	34.2	33.4	139.0	140.0	(1.0)
MENA/Subsea	1.4	11.2	13.7	47.2	(33.5)
Africa	(1.0)	0.8	(1.0)	(3.0)	2.0
Corporate/adjustments	(0.6)	(0.3)	(6.7)	(9.7)	3.0
Total	34.0	45.1	145.0	174.5	(29.5)

2016 REVENUE BY REGION (%)**2016 EBITDA BY OPERATING REGION (US\$M)****TOPAZ MARINE CASPIAN****Financial performance summary**

Year on year, revenue decreased from \$US228 million to US\$206 million. However, in the same period, EBITDA decreased by just US\$1 million, with further loss protected by our relentless focus on cost control, which virtually offset impacts due to off-hire barges and spot market pressure on rates and utilisation.

Market dynamics

Given its unique geography, the region has many natural and operational barriers to entry (see box on page 31). The basin's mix of deep and extremely shallow waters means that a wide variety of vessel classes work in the region.

Operational summary

In 2016 Topaz signed long-term contracts with BP for 14 vessels operating in Azerbaijan. These contracts are firm for five years and have options for two one-year extensions thereafter. We provided vessels throughout the year to support BP's Shah Deniz 2 project, and this activity will continue into the second half of 2017. When the TCO project moves into its operational phase and the 20 MCVs have been built, manned and mobilised to their work sites, Topaz Marine Caspian will provide in-country management support such as HR, financial, QHSSE and crewing, with frontline staff dedicated to the TCO project working out of Russia.

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

Priorities for 2017

- > Target further growth over and above recently signed contracts
- > Significant opportunities in Azerbaijan with existing and new clients
- > Activity accelerating in Turkmenistan, with possibility of major contract tender

**CASPIAN ENDEAVOUR TOWS PR JACKET**

In September 2016, *Caspian Endeavour*, one of the most powerful vessels in the Caspian basin, towed a client's Production and Risers (PR) platform jacket structure to its working location for installation in the Shah Deniz 2 oil field, offshore Azerbaijan. The PR platform jacket weighs 13,150 tonnes, stands 105 metres high and will be installed in a water depth of 94 metres.



TOPAZ AND BP SIGN LONG-TERM CONTRACTS FOR 14 SHIPS IN AZERBAIJAN

In 2016, Topaz secured a 14-vessel contract with BP Azerbaijan to support BP's Azeri-Chirag-Gunashli and Shah Deniz 2 oil fields offshore Azerbaijan. This important win demonstrates Topaz's ability to be awarded high-profile and long-term contracts in a challenging marketplace, where clients increasingly demand the highest operational and safety standards alongside price competitiveness.

OUR STRONGHOLD MARKET WITH HIGH BARRIERS TO ENTRY

The Caspian region presents challenging operating conditions for OSVs. Due to the region's geography, there are significant physical barriers to entry, which make it difficult and costly to mobilise equipment into the region. OSVs can only access the Caspian via the Volga Baltic or Volga Don rivers and their respective canal systems, both of which present restrictions and requirements.

Seasonal restrictions

Each river and canal system typically freezes over and closes from November to March.

Dimensional restrictions

Costly, technically challenging and time-consuming modifications may be required to allow vessels to pass through the river and canal systems because of restrictions imposed by the canals' water depth, locks and bridges.

Towage contracts

Vessels modified or flagged in any state other than Russia are required to be towed, which incurs significant costs, depending on the route and availability of towage vessels.

Regulatory requirements

Customs and other governmental agencies' inspections, authorisations and approvals are required to be completed and all required fees paid. These restrictions represent high logistical and financial barriers to entry and have led to the OSV market in the Caspian region becoming highly concentrated, with the top five of the 15 suppliers in the area controlling nearly three quarters of all OSVs. Topaz is the largest operator in the Caspian by number of AHTSVs ($\geq 5,000$ BHP) and PSVs ($\geq 3,000$ DWT).

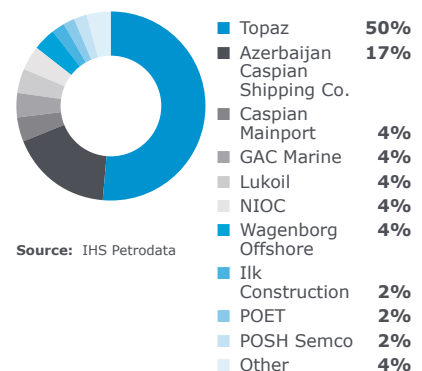
MARKET SNAPSHOT

- > High physical barriers to entry for larger vessels
- > Market dominated by long-term contracts
- > Great variety of asset classes operating in region

TOPAZ POSITION

- > Market leader with strong reputation
- > Supplier of choice for leading IOCs in the region
- > Robust growth opportunities in other markets such as Turkmenistan

TOP TEN OPERATORS BY FLEET SIZE



- > Topaz is the largest operator in the Caspian by number of AHTSVs ($\geq 5,000$ BHP) and PSVs ($\geq 3,000$ DWT)

TOPAZ MARINE MENA/SUBSEA MENA/Subsea financial performance summary

During the period, revenue decreased from US\$105.6 million to \$61.8 million. The decline was mainly attributable to vessel lay-ups and lower vessel utilisation. These same dynamics impacted our EBITDA, which decreased by US\$33.5 million during the period.

MENA Market dynamics

In 2016 we saw the beginnings of transition and consolidation among certain operators and NOCs, predominantly in UAE and Qatar. Despite some market uncertainty as to how things will pan out, we believe Topaz MENA may have opportunities for greater collaboration and market share gains once this transition phase is complete. Demand is increasing for fleets able to operate in shallow water but with increasingly larger deadweight capacities.

Operational summary

As with the entire offshore segment, Topaz MENA faced challenges throughout 2016 to keep vessel utilisation high, although long-term contracts provided some stability. We laid up vessels selectively over the course of the year in a 'lukewarm' state. This allowed us to remobilise vessels easily when client opportunities arose, whilst minimising running costs.

Key customers

We continue to serve a wide range of NOCs and IOCs within the region, including:

- > Saudi Aramco
- > ADMA-OPCO
- > NPCC
- > Saipem
- > McDermott
- > Dubai Petroleum
- > TOTAL
- > Occidental Petroleum
- > Maersk Oil Qatar
- > North Oil Company

Priorities for 2017

We anticipate the business environment and markets to remain as challenging in 2017. Although the number of expressions of interest in new projects and requests for information from clients remains steady, the lead time between these activities and project realisation is lengthy, owing to complex project design requirements and extended decision-making processes.

Our aim in 2017 is to continue to add value to our clients' operations, leveraging that strength to become their preferred provider. We will also continue to explore opportunities proactively.

SUBSEA Market dynamics

Following a protracted weak period, demand for subsea services reached an inflection point in 2016, with many IOCs and NOCs now in the process of bidding for projects. Interest in offshore wind and renewable energy projects continues to gain momentum, as do cable-laying services as a result of EPCI contractors working on infrastructure renewal projects.

Operational summary

Of our three vessels, *Topaz Installer* remained busy on a long-term contract and provided stability to the business unit. *Topaz Commander* was relocated to MENA to carry out IMR and survey work and achieved a higher year-on-year utilisation, although at lower rates, and *Topaz Captain* remained in warm lay-up in 2016.

Key customers

We continue to build a forward book with a variety of global EPCI contractors. McDermott, Saipem, Fugro and Technip have all booked vessel time with Topaz, as well as ocean floor mining pioneer Ocean Floor Geophysics.

Priorities for 2017

We anticipate keeping all three current vessels active, including *Topaz Captain*, in the long-term and spot markets through IMR and new project work. We are preparing for the delivery of two light construction subsea vessels, *Topaz Tiamat* and *Topaz Tangaroa*, in 2018 and exploring client opportunities for these vessels.

 **More:** Reinvesting in our subsea fleet, page 21

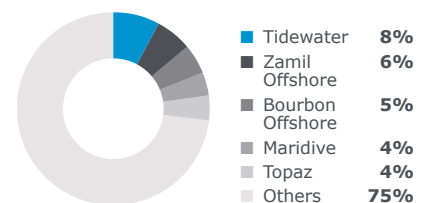
MARKET SNAPSHOT (MENA)

- > Activity levels in the MENA region remained high during the year
- > 2017 expected to see increased demand and high bidding activity
- > DP2 vessel requirements becoming the standard
- > Shallow water capability in demand with advent of EPCI work

TOPAZ POSITION (MENA)

- > Stable position, focused on growing market share
- > Increased number of vessels in Saudi Arabia
- > Expanded assets in Qatar and UAE operations

TOP FIVE OPERATORS (MIDDLE EAST) BY FLEET SIZE



Source: IHS Petrodata

- > Topaz is the fourth largest operator in the Middle East by number of AHTSVs (≥5,000 BHP) and all PSVs



A YEAR OF EXCELLENCE FOR TOPAZ INSTALLER

Topaz Installer provides specialised cable-laying services. In 2016 her long-standing contract with ABB was successfully renewed to support wind farms in the North Sea. To round off her year, *Topaz Installer* was named Ship of the Year 2016 by Topaz in recognition of on-board operational and technical excellence in relation to safety.

TOPAZ MARINE AFRICA

Financial performance summary

Year-on-year revenue decreased by \$14.7 million, from US\$28.9 million to US\$14.2 million. By contrast, EBITDA increased by \$2.0 million during the same period. Revenue was lost, but cost savings made, due to two vessels being laid up.

Market dynamics

Despite a return to previous oil production levels in Nigeria and Angola there was a further decline in the number of active rigs and floating platforms and, hence, demand for OSVs. The severe imbalance in OSV supply and demand has caused day rates to fall further.

Operational summary

With short-term spot contracts dominating very limited market activities, Topaz Africa's vessel utilisation was poor even though it had prepared for this by redeploying half of the fleet outside sub-Saharan Africa in 2015. Despite significant cost-saving initiatives and a very lean organisation to reflect limited OSV activity in the region, 2016 results were disappointing and were impacted by low day rates.

Key customers

Topaz Marine Africa is working with most of the IOCs and NOCs present in the region, either directly or via offshore contractors such as:

- > Technip
- > Saipem
- > Subsea 7
- > Heerema

Priorities for 2017

- > Improve vessel utilisation through long-term contracts
- > Mobilise additional tonnage as and when opportunities arise
- > Ensure participation in most major contracts in host countries, benefiting from track record of very strong operational performance
- > Investigate potential country expansion based on tonnage bids with key clients

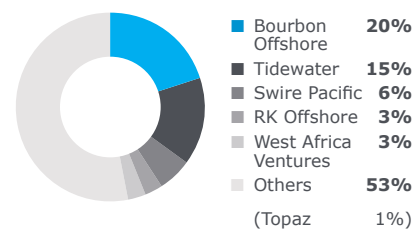
MARKET SNAPSHOT

- > Low OSV demand despite return to previous oil production levels
- > Further pressure on day rates destabilising market
- > Multiple projects/tenders on hold throughout 2016

TOPAZ POSITION

- > Established fully local companies in Nigeria and Angola
- > Poor vessel utilisation in 2016 set to improve
- > Invited to participate in most local major tenders H2 2017

TOP FIVE OPERATORS BY FLEET SIZE



Source: IHS Petrodata

- > Topaz is the 15th largest operator in Africa by number of AHTSVs ($\geq 5,000$ BHP) and all PSVs

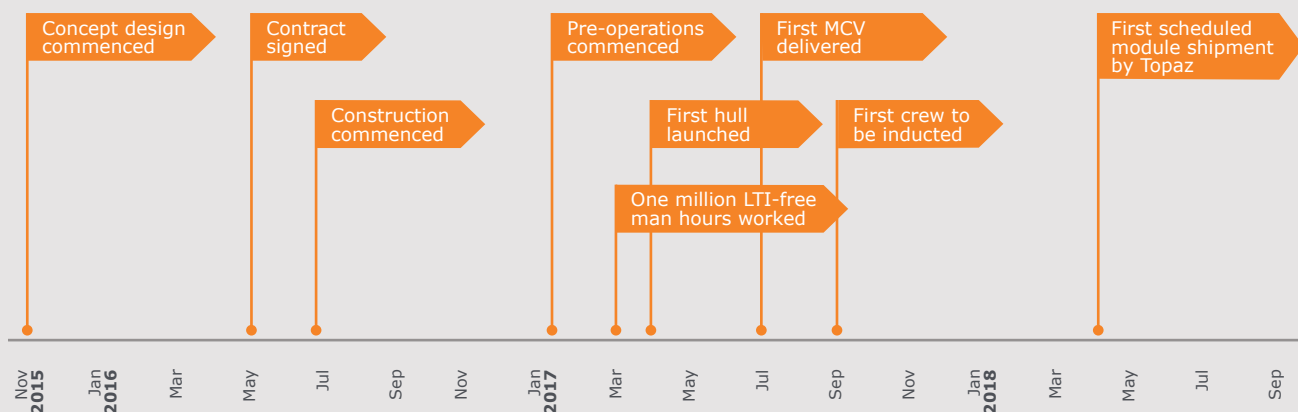
TOPAZ SOLUTIONS

Established in 2016, the Topaz Solutions business unit provides focused financial and operational control of our contract with Tengizchevroil LLP (TCO). Estimated to be worth \$US550 million over seven years, the contract requires the design, build, mobilisation and operation of 17 new Module Carrying Vessels (MCVs) and three wider vessels for operation in the Caspian. The operational scope of the TCO contract is covered in more detail on pages 4 to 7.

Notable project accomplishments to date include the steel cutting of the first MCV in August 2016, laying all keels in 2016 and launching the first MCV, *Topaz Amur*, in April 2017, just ten months after the contract signing. We are delighted to report that so far one million man hours have been worked across the three shipbuilding yards with no reportable accidents.

Priorities for 2017

- > Continued focus on safety with LTI-free goal
- > Pre-operations phase, focusing on the successful launch and delivery of all MCVs
- > Crew resourcing, recruitment and training



CORPORATE GOVERNANCE

Leading by example. We can only achieve our objective of creating long-term value for all our stakeholders by adopting and demonstrating strong governance principles across our business.

OUR GOVERNANCE APPROACH

Our fundamental approach to good governance, based on Fairness, Independence, Transparency, Accountability and Responsibility, is explained in more detail in the diagram opposite. We also follow guidance prescribed by our regulatory bodies. However, we believe that good governance is only truly achieved by striving to attain standards far beyond the minimum requirements. We do this through a values-based performance culture and by behaving in an ethical way, according to the Topaz Code of Business Conduct (COBC).

We remain committed to strengthening and balancing our Board, allowing us to operate in the image of an independent public company, while still retaining the coverage, protection and support of ultimate fiduciary oversight from the Renaissance Board. Details of the way we work are presented in the following full corporate governance statement for the period under review.



Samir J. Fancy, Chairman

WHERE AND HOW WE ARE REGULATED

As a subsidiary of Renaissance Services SAOG, a publicly listed company on the Muscat Securities Market (MSM), Topaz follows the Principles of Corporate Governance and the provisions of the Code of Corporate Governance (the 'Code'), set out in the Capital Market Authority's (CMA) guidance for companies listed on the MSM.

Setting standards above legal requirements

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. Its philosophy is to institutionalise Code principles and build upon them as part of its corporate culture, believing that the best way to ensure long-term value creation for shareholders and other stakeholders is through a values-based performance culture and stringent ethical behaviour in compliance with the Topaz Code of Business Conduct (COBC).

In summary, Topaz's corporate governance approach is based on prescribed requirements and guidelines reinforced by corporate values and behaviour (the 'Topaz Way').

Topaz Code of Business Conduct

The Topaz Code of Business Conduct sets the standards and clarifies the procedures and rules for running Topaz's day-to-day operations. It provides practical guidance for dealing professionally with the business partners, customers, employees and societies in which it operates, and includes the promotion of personal integrity and respect for the environment.

THE BOARD

As per best practice, the Topaz Board is assisted by the Topaz Audit Committee, chaired by our Independent Non-executive Director, and the Topaz Remuneration Committee, which comprises Non-executive Directors. The parent company CFO attends the Topaz Board and Topaz Audit Committee meetings in an observer capacity.

Our current Independent Director is the Chairman of the Topaz Audit Committee, and a member of the Topaz Remuneration Committee. This underscores Topaz's aim to operate in the image of an independent public company, while still retaining the coverage, protection and support of ultimate fiduciary oversight by the Renaissance Board. The intention is that the Topaz Board will appoint more independent Non-executive Directors with relevant industry, market or professional expertise. These appointments will be made in due course.

 **More:** CMA regulations can be found online: www.cma.gov.om

 **More:** The Topaz Code of Business Conduct can be downloaded from the corporate governance section of our website: www.topazworld.com/en/investors/corporate-governance

What good governance means to us. We believe that good governance means striving to attain standards far beyond minimum regulatory requirements and embedding this aspiration through a values-based performance culture.

Clarifying and aligning the roles and responsibilities of corporate governance to ensure corporate compliance.

Ensuring the protection and equal treatment of shareholders' rights, including minority and foreign.

Clarifying the conduct and accountability of management's roles and responsibilities and monitoring these to ensure alignment of management and shareholders' interests.

Conducting corporate governance in a professional manner without conflict of interest and free from any internal or external influence or pressure.

Being transparent in every decision-making process, and disclosing material and relevant information concerning corporate financial performance and operations in a timely, clear and consistent manner.



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 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

BOARD COMPOSITION AND MEETING ATTENDANCE

NAME	TITLE	INDEPENDENT	MEETINGS HELD 2016	MEETINGS ATTENDED 2016
SAMIR J. FANCY	Chairman	No	4	4
STEPHEN R. THOMAS, OBE	Shareholder, Non-executive Director	No	4	4
SUNDER GEORGE	Shareholder, Non-executive Director	No	4	4
PHILIP GORE-RANDALL	Non-shareholder, Non-executive Director	Yes	4	4
ALI BIN HASSAN SULAIMAN	Shareholder, Non-executive Director	No	4	3
TAIMOOR LABIB	Shareholder, Non-executive Director	No	4	4
RENÉ KOFOOD-OLSEN	Executive Director	No	4	4

AUDIT COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME	TITLE	INDEPENDENT	MEETINGS HELD 2016	MEETINGS ATTENDED 2016
PHILIP GORE-RANDALL (CHAIR)	Non-executive Director	Yes	4	4
ALI BIN HASSAN SULAIMAN	Non-executive Director	No	4	3
SUNDER GEORGE	Non-executive Director	No	4	4

REMUNERATION COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME	TITLE	INDEPENDENT	MEETINGS HELD 2016	MEETINGS ATTENDED 2016
ALI BIN HASSAN SULAIMAN (CHAIR)	Non-executive Director	No	2	2
PHILIP GORE-RANDALL	Non-executive Director	Yes	2	2
STEPHEN R. THOMAS, OBE	Non-executive Director	No	2	2

Corporate Executive Committee (CEC)

In addition to the Board committees Topaz has a Corporate Executive Committee, which is a management committee comprising the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Commercial Officer and HR Director. The CEC meets weekly to discuss overall Group performance and once every month with senior managers of the Group's business units to discuss individual business unit performance and future plans.

Board responsibilities

The Board has the authority, and is accountable to shareholders, to ensure that the Group is appropriately managed and achieves the 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 Code of Business Conduct.

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 the achievement of the Group's financial and business objectives and annual plans
- > Monitoring, through reports received directly or from various committees, the key risks facing the Group.

The Board has overall responsibility for succession planning for the CEO and other senior members. 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.

Chairman and CEO

A clear separation is maintained between the responsibilities of the Chairman and 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.

INFORMATION AND PROFESSIONAL DEVELOPMENT

As part of the annual Board evaluation process, the Board expressed its satisfaction that the information provided in the Board papers is of the right quality, format and length to allow a full understanding of all the relevant issues concerning matters under consideration. It was 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.

SHAREHOLDERS

The CEO and CFO have regular meetings with shareholders. Financial results are provided monthly to the parent company. Details of our Investor Relations activities can be found below.

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 can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that the Board of Directors has established are designed to provide effective internal control within Topaz and accord with best practices of internal control.

STATUTORY AUDITORS

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. Auditor rotation, in accordance with international best corporate governance practices, lessens any risks of complacency in relation to an auditor's ability to scrutinise operations and ask tough questions. In essence auditor rotation ensures continued independence and objectivity, to the benefit of the Group and its stakeholders.

In 2016, following a detailed process (outlined in the graphic opposite), we appointed Deloitte & Touche (M.E.) ('Deloitte') as our external auditors for the next four years. The evaluation process was led by Renaissance's Audit Committee over a period of three to four months and the decision to choose Deloitte was made, amongst other reasons, on its proven presence in and understanding of our core operating markets and industry, its team strength and its commercial competitiveness.

INVESTOR RELATIONS ACTIVITIES 2016

- > **March**
FY 2015 Financial results
Conference call
- > **May**
Q1 2016 Financial results
Conference call
- > **August**
H1 2016 Financial results
Conference call
- > **November**
9M 2016 Financial results
Conference call
HSBC High Yield Conference
22 November 2016

 **More:** Press releases, presentations and call transcripts can be downloaded from our website: www.topazworld.com/en/investors

AUDITOR APPOINTMENT PROCESS

TOP AUDIT FIRMS CONSIDERED

To reflect Topaz's operations, only the 'Big Four' audit firms were considered, excluding the incumbent.

PROPOSALS SUBMITTED TO AUDIT COMMITTEE

Three proposals were submitted detailing regional teams, fees, areas of operations, industry experience, core areas of expertise, etc.

AUDIT FIRMS MEET WITH AUDIT COMMITTEE

Partners representing each audit firm met face-to-face with the Audit Committee to present their proposal.

AUDIT COMMITTEE RECOMMENDS DELOITTE TO BOARD

The Audit Committee selected Deloitte according to 'best fit' and recommended it to the Board.

BOARD APPROVAL AND AGM ANNOUNCEMENT

Board approved the recommendation of Deloitte and confirmed appointment at the AGM.

DETAILED AUDITOR INDUCTION

Deloitte met with management teams to gain an insight into the business and discuss future plans. Deloitte also met with the outgoing auditors to assist their understanding of previous audit processes.

AUDIT PLAN FORMALISED

A detailed audit plan was formalised, outlining the audit schedule in each of our operating regions.

ONGOING MEETINGS

Regular meetings are held and key management reports, market reports and analysis are shared to improve business understanding.

BOARD OF DIRECTORS

An effective leadership team



SAMIR J. FANCY
CHAIRMAN

STRENGTHS AND EXPERIENCE

Samir has over 30 years' worth 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.

CURRENT EXTERNAL COMMITMENTS

- > 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 & Africa. He has held several leadership roles across a variety of multi-cultural organisations and countries. He pursued 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 awarded 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 since 1998

KEY

- I** Independent **A** Audit committee **R** Remuneration committee



TAIMOOR LABIB
NON-EXECUTIVE DIRECTOR

R

STRENGTHS AND EXPERIENCE

Taimoor has approximately 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 & Middle East at Standard Chartered Private Equity
- > Sits on numerous boards across Africa & Middle East



ALI BIN HASSAN SULAIMAN
NON-EXECUTIVE DIRECTOR

A R Chair

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.

CURRENT EXTERNAL COMMITMENTS

- > Deputy Chairman of Renaissance since 2010
- > Director of Renaissance Duqm SAOC
- > Director of Majan Glass Manufacturing Co SAOG



PHILIP GORE-RANDALL
NON-EXECUTIVE DIRECTOR

I A R Chair

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.

CURRENT EXTERNAL COMMITMENTS

- > Chairman of Fircroft Engineering, Equiom Holdings, Equiom Asia, RAK Logistics, Alvarez and Marsal Corporate Performance Improvement (Europe)
- > Director and Executive Committee Member of Samena Capital and Chairman of its Audit and Operation Committee and Remuneration Committee
- > Audit Committee Expert, RAK Ceramics
- > Audit Committee member of RAK Free Trade Zone and Investment Authorities

ABOUT THE BOARD 2016/2017

SUMMARY OF TOPAZ BOARD CHANGES

The Board members as at the date of this Annual Report and Accounts are shown above. Please note that Sunder George was a serving Non-executive Director during the period under review and up to 29 March 2017.

Recent changes have been made to the Omani Code of Corporate Governance which affect Topaz's parent company (Renaissance SAOG). One change is that a director will become 'non-independent' if he is also 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.

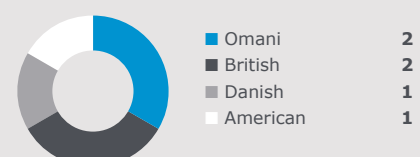
Stephen Thomas served as a member of Topaz's Remuneration Committee throughout 2016, retiring from this post in March 2017. He was replaced by Non-executive Director, Taimoor Labib.

More: For full biographies go to www.topazworld.com/en/about-us/the-topaz-board

BOARD COMPOSITION



NATIONALITY



SENIOR MANAGEMENT

Driving operational excellence

**CORPORATE EXECUTIVE COMMITTEE**

From left to right: Robert Desai, Martin Helweg, René Kofod-Olsen, Hicham Hachkal and Jay Daga

*** SUMMARY OF CEC CHANGES 2016/2017**

In January 2017, Hicham Hachkal replaced Ealbra Moradkhan as HR Director and in March 2017 Martin Helweg replaced Geoffrey Taylor as COO. In January 2017, Robert Desai was appointed Chief Commercial Officer.

Operational Management

RENÉ KOFOD-OLSEN CHIEF EXECUTIVE OFFICER

Joined Topaz	2012
Years with Topaz	5
Years of experience	23
Previous roles	
A.P. Moeller-Maersk	

STRENGTHS AND EXPERIENCE

- > Deep knowledge of the marine industry
- > Former CEO of Svitzer Asia, Middle East & 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

MARTIN HELWEG CHIEF OPERATING OFFICER

Joined Topaz	2017
Years of experience	20
Previous roles	
A.P. Moeller-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

JAY DAGA CHIEF FINANCIAL OFFICER

Joined Topaz	1999
Years with Topaz	18
Years of experience	24
Previous roles	
Moshin Haider Darwish LLC, Hindustan Gas & Industries Ltd, PwC	

STRENGTHS AND EXPERIENCE

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

ROBERT DESAI CHIEF COMMERCIAL OFFICER

Joined Topaz	2009
Years with Topaz	8
Years of experience	13

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

HICHAM HACHKAL HR DIRECTOR

Joined Topaz	2017
Years of experience	20
Previous roles	
Schlumberger, BG Group, Seadrill	

STRENGTHS AND EXPERIENCE

- > Regional and international HR experience in reputable international organisations
- > Leadership roles covering HR strategy, personnel management and talent development
- > Organisational HR support through economic cycles

Regional Management

RICHARD AYLING REGIONAL DIRECTOR – CASPIAN

Joined Topaz	2009
Years with Topaz	8
Years of experience	37
Previous roles	
Seabulk Inc., Lamnalco, Sea Trucks Group and Oil Ltd	

STRENGTHS AND EXPERIENCE

- > Experienced senior manager in various leading marine offshore companies
- > Strong operational and technical track record
- > Deep knowledge of the MENA and West African markets
- > Engineering background

PAUL JARKIEWICZ REGIONAL DIRECTOR – MENA & SUBSEA

Joined Topaz	2013
Years with Topaz	4
Years of experience	29

Previous roles

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 KNUDSEN REGIONAL DIRECTOR – AFRICA

Joined Topaz	2015
Years with Topaz	2
Years of experience	32

Previous roles

A.P. Moeller-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

Corporate Team

MARTIN HOSKINS HEAD OF CENTRAL TECHNICAL SERVICES

EIRIN INDERBERG HEAD OF LEGAL

MORTEN JORGENSEN HEAD OF STRATEGY & CORPORATE PLANNING

ALEX MACDONALD HEAD OF SPECIAL PROJECTS

KRIS VEDAT HEAD OF IT

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have the pleasure in presenting the audited consolidated financial statements of Topaz Energy and Marine Limited and its subsidiaries (together, 'the Group') for the year ended 31 December 2016.

In this report, we will focus on four subjects, which summarise our current position and way forward:

- > **Impairment:** The impact of impairment on our 2015 and 2016 results.
- > **Stability:** The underlying financial strength of the business to steer the Group safely through 2017, meeting all our financial obligations.
- > **Relationships:** The sustaining strength of our relationships with all stakeholders.
- > **Future:** The Group's US\$1.5 billion contract backlog and two major projects driving growth with a positive impact from 2018.

Impairment

Oil, like all commodities, is cyclical. Any boom or bust cycle in oil price directly impacts the OSV industry. The current oil price crisis that started with a steep decline in 2014 has stabilised in recent

weeks following a production cutback agreement between OPEC and non-OPEC producers in early 2017. While a current oil price above US\$50 per barrel offers some respite, it cannot change the negative impact on OSV fleet owners and operators over the last two years. While Topaz has fared better than its peers, it has not been immune.

The global OSV fleet numbers about 3,500 vessels and, today, about 1,300 of these vessels are laid up and out of work. This is because oil and gas producers have cut back sharply on capital expenditure for exploration and construction, while the industry adjusts to a new oil price range per barrel. Topaz has a fleet of 100¹ vessels, and today 12 of those are out of work, while many others are competing for short-term contracts in a very difficult spot market. While this is better than the OSV industry as a whole, it nevertheless has a direct negative impact on revenue and profit.

Topaz is able to mitigate the impact due to its largely young fleet, focused primarily in longer-term contracts in the production cycle of the oil industry, but vessels on shorter-term contracts and under-utilised assets are affected.

The crisis has wiped billions of dollars in value off the global OSV fleet, and some of the older tonnages may never return to the industry. Topaz is not in that situation, but for the second year running we had to recognise an additional impairment of our fleet. Following a one-off charge of US\$71 million in 2015, we have taken a further charge of US\$99.6 million in 2016.

While we do not take these charges lightly, we draw some solace from being in a far better position than most industry peers. While the loss of value hurts, it is not a cash loss and Topaz's EBITDA achievement of US\$145 million underwrites the strength and allows the Group to meet all of its financial commitments throughout the prolonged crisis.

This particular bust cycle in oil price has had an unprecedented negative impact on the industry – more so than even lower price cycles. This is because, when the oil price ranged from US\$100-147 a barrel, the industry embarked on major expansion and development of previously uneconomic oilfields. Readjustment has been painful.

We expect 2017 to be another challenging year. As the oil price stabilises, we expect vessel utilisation to improve, paving the way for an improvement in rates. So whilst we feel further major impairment in 2017 is unlikely, we cannot rule out any impact at this stage. But we have reason for cautious optimism while markets reprice oil for the future. The underlying reality is that oil supplies will have to meet increasing demand at the right price over the years ahead.

Stability

The Group has been sustained throughout this crisis by a solid foundation of stability: a strong balance sheet; sustainable healthy cash flows; long-term financing arrangements matched with our long-term asset profile; US\$40 million cash on the year-end balance sheet; fully funded capital expenditure programmes; and well managed low counterparty risk.

Central to this financial stability have been the actions taken in anticipation of strong headwinds arising from declining oil prices. The Group has in place long-term financial arrangements aligned with our cash flows, our requirements and our obligations. This includes long-term facilities at competitive rates. Our strong position in the Caspian has remained stable and the fleet there did

FINANCIAL PERFORMANCE (US\$M)

PARTICULARS	2016	2015
Continuing operations (before one-off charges)		
Revenue	282.1	362.5
EBITDA	144.9	174.5
Operating profit	70.6	104.0
Net profit/(loss) after tax from continuing operations (before one-off charges)	(2.5)	20.9
One-off charges (Note 1)	(99.6)	(79.4)
Net loss after tax from continuing operations	(102.1)	(58.5)
Net loss for the year after minority interest	(125.9)	(78.8)

Topaz is directly exposed to the ongoing oil price crisis that has adversely affected the entire Offshore Supply Vessels (OSV) industry. However, the Group is sustained by long-term stable contracts, which have been further extended; and has won major new contracts that will ensure a significant upturn in performance from 2018 onwards.

NOTE 1: ONE-OFF CHARGES (US\$M)

The Group has incurred the following one-off charges during the year:

PARTICULARS	2016	2015
Provision for impairment of vessels	(99.6)	(71.0)
Unamortised arrangement fees write-off	–	(8.4)
Total	(99.6)	(79.4)

¹ 100 vessels including three under construction (one AHTSV, *Topaz Tiamat* and *Topaz Tangaroa*) but excluding the 20 MCVs.

not face the abject inactivity experienced by much of the OSV market.

All OSV operators in spot markets in the Middle East and West Africa took tough hits to their business volumes and this has, of course, dampened our overall performance. During the year, we have laid up, on a temporary basis, 10 vessels in the Middle East and two vessels in Africa, which we believe, are the right measures to take in reaction to the lack of demand.

All our capital expenditure obligations are fully funded, either through equity and loans in place, or through inherent contract terms. This includes the entire capital expenditure requirement as we invest for growth in the TengizChevroil (TCO) project for Topaz.

While getting paid is a rising concern in the market place, we have been able to sustain the collection of our receivables through the quality and stability of our client base.

During the year, the Group successfully concluded its negotiations with Standard Chartered Private Equity regarding the 9.8% shares held by them in Topaz. The new structure reduces the guaranteed IRR from the previous 12% to 8% and extends the deadline within which the liquidity event may occur, from 3 to 5-6 years, in return for granting an additional 3.7% equity position in Topaz. This outcome reflects the solid partnership and collaboration between the shareholders allowing the Group to tide over the business cycle and protect its value.

Relationships

The Group is also sustained by the strength of its relationships with all key stakeholders: our clients and customers; our shareholders and bondholders; our bankers and other financial institutions; our professional advisors – legal, auditing, commercial, industry; government, official agencies and institutions; suppliers and service providers; the communities, which we serve; and, of course, our own people.

Our relationships remain as strong as ever, because all of these people recognise and understand the value of our Group. They understand the temporary nature of the industry downturn; they recognise the stability and strength with which we are meeting all of our contractual, legal and financial obligations; and they see the same bright future that lies ahead.

On behalf of the Board of Directors, we would like to record our appreciation for all these relationships, and our stakeholders' confidence and belief in our Group.

Future

We have been sailing under dark skies for these last two years; but we have always had a clear eye on a bright future. This is not based on unfounded optimism; but rather on the relevance and potential of the businesses and markets in which we operate – backed up by a contract backlog of \$1.5 billion.

As reported earlier this year, Topaz has secured a contract to supply and operate vessels for the TCO project. The total TCO contract is worth in excess of US\$550 million to Topaz over a minimum contract period of three years commencing in 2018.

This important contract win has opened many opportunities for Topaz with flagship customers such as Chevron and ExxonMobil and has opened up strategic paths for achieving the Group's strategy of a more diversified marine platform over the longer term.

Further opportunity lurks as this highly fragmented industry consolidates. The Topaz OSV fleet is poised to be one of the strongest coming out of this crisis: modern, relevant, efficient, fit and ready to serve its clients. Where relevant to our strategy, the right opportunities will be thoughtfully considered. Value abounds, but risk mitigation has to be the key to any inorganic action in this very difficult environment. The Group remains vigilant to opportunity within these parameters.

DIVIDEND

No dividend is proposed for the year ended 31 December 2016.

MARKET AND OUTLOOK

Despite a strong performance in our key Caspian market, which makes up 73% of revenue, our financial results reflect subdued demand for offshore support vessels in our nascent market in Africa and rate pressure in the Middle East.

As we head into 2017, we are likely to continue to see rate pressure as clients are impacted by the lower oil price environment, particularly in the Africa and Middle East regions, where we are currently awaiting some tender decisions.

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

Of course, there shall be more challenging times in 2017 and it will be another difficult year. There is always a time lag between improving oil price and new investment in the industry, so we remain in our stable and resilient mode for this year. However, we are already thinking and acting ahead of the curve of current reality. Our secured growth contracts and projects provide us a future to look forward to in 2018 and beyond.

Overall, we are pleased to have delivered an above-market result in such trying times and we believe this is proof of the resilience of our strategy.

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



Stephen R. Thomas
Director

23 February 2017

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Topaz Energy and Marine Limited
and its Subsidiaries
[formerly NICO Middle East Limited]
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 [formerly NICO Middle East Limited] (the 'Group'), Hamilton, Bermuda, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 in, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 16 February 2016.

Other Information

Management is responsible for the other information. The other information comprises 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.

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.

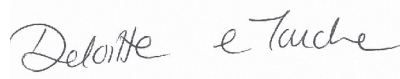
As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > 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 risk, 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 disclosure 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.)



Cynthia Corby
Partner
Registration No. 995
23 February 2017
Dubai
United Arab Emirates

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Revenue	7	282,087	362,470
Cost of revenue		(178,303)	(218,590)
Gross profit		103,784	143,880
Administrative expenses	8	(33,605)	(39,978)
Other income		453	100
Profit from operations		70,632	104,002
Finance costs – net	10	(59,576)	(69,246)
Impairment loss on vessels	9	(99,600)	(71,000)
Loss before income tax		(88,544)	(36,244)
Income tax expense	11	(13,534)	(22,248)
Loss for the year		(102,078)	(58,492)
Add: Other comprehensive income		–	–
Total comprehensive loss for the year		(102,078)	(58,492)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(125,914)	(78,769)
Non-controlling interests		23,836	20,277
Total comprehensive loss for the year		(102,078)	(58,492)
Basic and diluted loss per share (US\$)	12	(0.44)	(0.28)


Director

Director

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	13	1,198,912	1,222,439
Intangible assets and goodwill	14	28,674	27,243
Long-term receivables and prepayments	15	930	1,397
Deferred tax asset	17	7,212	1,464
Total non-current assets		1,235,728	1,252,543
Current assets			
Inventories	18	5,689	3,326
Accounts receivable and prepayments	15	109,565	100,158
Due from related parties	16	16,747	16,568
Cash and cash equivalents	19	39,459	55,069
Total current assets		171,460	175,121
Total assets		1,407,188	1,427,664
Equity and liabilities			
Equity			
Share capital	20	284,720	284,720
Share premium	20	46,796	46,796
Accumulated losses/(retained earnings)		(24,551)	101,363
Equity attributable to Owners of the Company		306,965	432,879
Non-controlling interests		155,912	141,076
Total equity		462,877	573,955
Liabilities			
Non-current liabilities			
Term loans	21	614,996	641,314
Loans due to Holding Company	22	73,346	76,000
Employees' end-of-service benefits	23	3,529	3,868
Accounts payable and accruals	24	112,051	574
Total non-current liabilities		803,922	721,756
Current liabilities			
Accounts payable and accruals	24	81,067	53,019
Term loans	21	30,000	30,000
Loans due to Holding Company	22	7,254	28,000
Due to a related party	16	187	564
Income tax payable	11	21,881	20,370
Total current liabilities		140,389	131,953
Total liabilities		944,311	853,709
Total equity and liabilities		1,407,188	1,427,664


Director

Director

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
Loss before income tax		(88,544)	(36,244)
Adjustments to reconcile loss before tax to net cash flows:			
Fair value changes of interest rate swaps		–	(194)
Impairment losses on property, plant and equipment		99,600	71,000
Impairment loss on trade accounts receivables		3,472	226
Provision for employees' end-of-service benefits		342	302
Finance income		–	(777)
Finance costs		59,576	70,217
Depreciation and amortisation		74,372	70,570
Amortisation of mobilisation revenue		1,924	2,890
Operating cash flows before changes in operating assets and liabilities		150,742	177,990
(Increase)/decrease in inventories		(2,363)	988
Decrease in marine vessels classified as inventories and sold during the year		–	3,609
(Increase)/decrease in accounts receivables, prepayments and other assets		(12,879)	2,365
Increase/(decrease) in accounts payable, accruals and other liabilities		139,525	(4,740)
(Decrease)/increase in due from related parties		(556)	597
Cash generated from operations		274,469	180,809
Income tax paid		(17,771)	(20,961)
Employees' end-of-service benefits paid		(681)	(513)
Net cash flows generated from operating activities		256,017	159,335
Cash flows from investing activities			
Purchase of property, plant and equipment		(152,319)	(57,511)
Purchase of intangible assets		(1,481)	(621)
Advance paid for vessels		–	(553)
Decrease/(increase) in long term receivable		467	(1,397)
Net movement in restricted cash		–	13,000
Net cash flows used in investing activities		(153,333)	(47,082)
Cash flows from financing activities			
Loans borrowed		13,000	345,884
Loans paid		(26,318)	(372,100)
Interest paid		(59,576)	(55,182)
Repayment of loan due to Holding Company		(36,400)	(2,000)
Dividends paid to the Holding Company		–	(22,000)
Dividends paid to non-controlling interests		(9,000)	(2,200)
Net cash flows used in financing activities		(118,294)	(107,598)
(Decrease)/increase in cash and cash equivalents		(15,610)	4,655
Cash and cash equivalents at 1 January		55,069	50,414
Cash and cash equivalents at 31 December	19	39,459	55,069

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Attributable to Owners of the Company						
	Share capital US\$'000	Share premium US\$'000	Statutory reserve US\$'000	Retained earnings/ (accumulated) losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2015	284,720	46,796	38	203,348	534,902	134,445	669,347
Total comprehensive (loss)/ income for the year	-	-	-	(78,769)	(78,769)	20,277	(58,492)
Dividend paid to the Holding Company (Note 25)	-	-	-	(22,000)	(22,000)	-	(22,000)
Dividend paid to non-controlling interests (Note 26)	-	-	-	-	-	(14,900)	(14,900)
Other transactions with non- controlling interests	-	-	-	(1,254)	(1,254)	1,254	-
Transfer to retained earnings	-	-	(38)	38	-	-	-
Balance at 31 December 2015	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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. ESTABLISHMENT AND OPERATIONS

Topaz Energy and Marine Limited (formerly Nico Middle East 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 at and for the year ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as "the Group" and individually as "the Group entities") and the Group's interest in jointly controlled entities. The principal activities of the Group are provision of offshore supply vessels and other marine vessels on charter primarily to the oil and gas industry.

2. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES**1) SUBSIDIARIES OF TOPAZ ENERGY AND MARINE LIMITED, BERMUDA**

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
Topaz Energy and Marine DMCC	United Arab Emirates	100%	100%	Ship management services
Nico World II Limited [refer to note 2(d)]	Vanuatu	–	100%	Charter of marine vessels
Nico Far East Pte Limited [refer to note 2(d)]	Singapore	–	100%	Charter of marine vessels
TEAM II Limited [refer to note 2(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM III Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM IV Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM V Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM VI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM VII Limited [refer to 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 to 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 to 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 to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVIII Limited [refer to 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 XXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVII Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XXVIII Limited [refer to 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

2. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

I) SUBSIDIARIES OF TOPAZ ENERGY AND MARINE LIMITED, BERMUDA (CONTINUED)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
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
TEAM XLVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLVII 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 to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Pride Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Baki Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Citadel Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Gala Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Server Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Breeze Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Protector Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Power Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Provider Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Islay Limited [refer to note 2 (a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Jura Limited [refer to 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
		2016	2015	
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	Nigeria	60%	60%	Charter of marine vessels

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

2. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)**III) SUBSIDIARIES OF BUE MARINE LIMITED, SCOTLAND**

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
BUE Caspian Limited	Scotland	100%	100%	Vessel management
BUE Kazakhstan Limited	Scotland	100%	100%	Vessel management
BUE Cygnet Limited	Scotland	100%	100%	Vessel management
BUE Bulkera Limited	Scotland	100%	100%	Vessel management
BUE Shipping Limited	Scotland	100%	100%	Vessel management
Roosalka Shipping Limited	Scotland	100%	100%	Vessel management
BUE Aktau LLP	Kazakhstan	100%	100%	Vessel management
BUE Bautino LLP	Kazakhstan	100%	100%	Vessel management
BUE Kyran Limited	Scotland	100%	100%	Vessel management
BUE Marine Turkmenistan Limited [refer to note 2(b)]	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
		2016	2015	
Doha Marine Service WLL [refer to note 2(c)]	State of Qatar	49%	49%	Vessel management
DMS Marine SPC [refer to note 2(d)]	State of Qatar	—	100%	Charter of marine vessels

- a) Caspian Fortress Limited, Caspian Pride Limited, Caspian Baki Limited, Caspian Citadel Limited, Caspian Gala Limited, Caspian Server Limited, Caspian Breeze Limited, Caspian Power Limited, Caspian Protector Limited, Caspian Provider 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 Holding Company. Accordingly, the Group has control over these entities, 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 2016, the Group has dissolved Nico World II Limited, DMS Marine SPC, and Nico Far East PTE Limited. During the year ended 31 December 2015, the Group has dissolved Topaz Holdings Limited, Team IX Limited, BUE Maritime Services Limited, and Roosalka Shipping Limited.

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 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*.
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure Initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

3.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not yet applied the following new and revised IFRS 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, IFRS 12 and IAS 28.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
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.	
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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

**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 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
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 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014).	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 *Financial Instruments: Recognition and Measurement*. 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.

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
IFRS 15 <i>Revenue from Contracts with Customers</i>	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 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> 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.	
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> 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.	1 January 2019
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 and investor to its associate or joint venture.	Effective date deferred indefinitely

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, may have no material impact on the consolidated financial statements of the Group in the year 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. The application of IFRS 9 and IFRS 15 may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities, revenue from contracts with customers and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

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.

A significant proportion of the Group's assets, liabilities, income and expenses are denominated in US\$, United Arab Emirates Dirham (AED) and Qatari Riyal (QR). The AED and QR are currently pegged at approximately AED 3.67 to US\$ 1 and QR 3.46 to US\$ 1. 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. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

The financial statements of the subsidiaries are prepared for the same reporting year using 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 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 remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Any 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 remeasured, and its subsequent settlement is accounted for within equity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

Accounting for business combinations (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 comprehensive income.

Disposal of subsidiaries

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

Non-controlling interest

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

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

Revenue recognition

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

Marine charter

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

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

Sale of vessels

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

FINANCE INCOME AND EXPENSES

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

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

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

FOREIGN CURRENCY

Foreign currency transactions

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY (CONTINUED)

Foreign currency transactions (continued)

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to 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 translation reserve related to that foreign operation is reclassified to the consolidated statement of comprehensive income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its interest in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of comprehensive income.

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

INCOME TAX

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

Current tax

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

Deferred tax

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

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

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

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

SEGMENT REPORTING

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

	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)	3

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

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

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

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

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

Capital work in progress

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

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

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

INTANGIBLE ASSETS

Goodwill

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

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 profit or loss. An impairment loss in respect of goodwill is not reversed. Where goodwill forms part of a cash-generating unit (or groups of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 profit or loss as incurred.

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

FINANCIAL INSTRUMENTS

Non-derivative financial assets

Classification

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

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 comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Recognition and measurement (continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of 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 comprehensive income.

IMPAIRMENT

Financial assets

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

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

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

Non-financial assets

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

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

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

INVENTORIES

Inventories are measured at lower of cost and net 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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

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

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.

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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position.

In respect of finance leases, lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of comprehensive income.

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

Group as a lessor

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

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

DIVIDENDS DISTRIBUTION

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

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 (ten 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;

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

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

- 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.

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 2016 was US\$26,174 thousand (2015: 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 at 31 December 2016 was US\$1,052,813 thousand (2015: US\$1,179,787 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. Cash flows beyond five years are estimated using a nil growth rate.

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\$99,099 thousand (2015: US\$93,168 thousand) and the provision for doubtful debts was US\$4,538 thousand (2015: US\$8,627 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 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\$5,689 thousand (2015: US\$3,326 thousand) with provisions for old and obsolete inventories of US\$ Nil (2015: US\$ Nil). Any difference between the amounts actually realised in future periods and the amounts provided will be recognised in the consolidated statement of 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 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.

7. REVENUE

	2016 US\$'000	2015 US\$'000
Charter and other revenues from marine vessels	278,274	351,935
Income from mobilisation of marine vessels	3,813	8,035
Sale of marine vessels	–	2,500
	282,087	362,470

8. ADMINISTRATIVE EXPENSES

	Notes	2016 US\$'000	2015 US\$'000
Employees' salaries and benefits		18,979	24,523
Consultancy and professional fees		2,463	3,145
Rent and utilities		1,412	1,769
Legal fees and expenses		1,128	1,967
Depreciation of property, plant and equipment		949	1,287
Travel expenses		835	1,150
Communication expense		755	949
Vehicle expense		736	898
Amortisation of intangible assets		50	66
Impairment loss on accounts receivable	15	3,472	226
Others		2,826	3,998
		33,605	39,978

9. IMPAIRMENT LOSS ON VESSELS

	Notes	2016 US\$'000	2015 US\$'000
Impairment loss on marine vessels	13	99,600	71,000

10. FINANCE INCOME AND COSTS

	2016 US\$'000	2015 US\$'000
Recognised in consolidated statement of comprehensive income		
Exchange gain	–	777
Fair value changes of derivative financial instruments (refer (i) below)	–	194
Finance income	–	971
Interest expense	59,576	70,217
Finance costs	59,576	70,217

(i) This represents gain on fair valuation of interest rate swaps which are not designated as hedging instruments under IAS 39 'Financial Instruments: Recognition and Measurement' and therefore recognised in the consolidated statement of comprehensive income.

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11. INCOME TAX

	Notes	2016 US\$'000	2015 US\$'000
Current taxation			
Foreign tax		19,014	20,722
Corporation tax		269	422
Total current tax		19,283	21,144
Deferred tax			
Current year		(1,471)	983
Prior year		(4,277)	121
Total deferred tax	17	(5,748)	1,104
Tax expense for the year		13,534	22,248
Tax liabilities		21,881	20,370

The Group's consolidated effective tax rate is (14%) for 2016 (2015: 46%), calculated based on profit for the year from continuing operations.

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

	2016 US\$'000	2015 US\$'000
(Loss)/profit before income tax of Group entities operating in taxable jurisdictions	(119,339)	16,680
Less: Non-taxable loss/(profits) earned by these entities	88,567	(2,066)
(Loss)/profit subject to tax included in the consolidated statement of comprehensive income for the year	(30,772)	14,614
Tax at the applicable average tax rate of 7.8% (2015: 29.3%) based on profits generated by Group entities registered in UK	2,409	4,296
Tax effect of expenses that are not deductible in determining taxable profit	(158)	89
Effect of different tax rates of subsidiaries operating in jurisdictions other than UK	6,284	17,741
Unrelieved foreign tax	5,662	–
Provision for foreign tax	3,288	–
Effect of change in deferred tax recognition	326	–
Adjustment to prior year's deferred tax	(4,277)	122
Tax expense for the year	13,534	22,248

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

12. EARNINGS PER SHARE**BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share at 31 December 2016 is based on the loss attributable to the shareholders of the Company of US\$125,914 thousand (2015: loss attributable to shareholders of the Company of US\$78,769 thousand) and a weighted average number of ordinary shares outstanding of 284,719 thousand (2015: 284,719 thousand).

13. PROPERTY, PLANT AND EQUIPMENT

Cost:	Notes	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
At 1 January 2015		3,958	13,243	1,594,784	840	64,962	1,677,787
Additions		-	785	36,092	149	20,486	57,512
Transfers		-	24	48,970	-	(48,994)	-
Transfer to current assets		-	-	(1,628)	-	-	(1,628)
Disposals/write offs		-	(2)	(4,720)	-	-	(4,722)
At 31 December 2015		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)	-
At 31 December 2016		3,958	14,515	1,731,221	989	130,585	1,881,268
Accumulated depreciation							
At 1 January 2015		754	10,002	351,717	758	-	363,231
Charge for the year		159	1,027	69,217	101	-	70,504
Impairment	9	-	-	61,200	-	9,800	71,000
Eliminated on disposals		-	(2)	(1,113)	-	-	(1,115)
Amortisation of mobilisation costs		-	-	2,890	-	-	2,890
At 31 December 2015		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 mob costs		-	-	1,924	-	-	1,924
Impairment		-	-	99,600	-	-	99,600
At 31 December 2016		1,072	11,715	668,608	961	-	682,356
Carrying amount							
At 31 December 2016		2,886	2,800	1,062,613	28	130,585	1,198,912
At 31 December 2015		3,045	3,023	1,189,587	130	26,654	1,222,439

Marine vessels with a net book value of US\$666,726 thousand (2015: US\$815,816 thousand) are mortgaged against bank loans obtained.

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

During the year, the Group has not capitalised any borrowing cost (2015: US\$210 thousand borrowing cost capitalised). In 2015, borrowing costs were capitalised at the weighted average rate of 4.1%.

During the year an impairment charge of US\$99,600 thousand (2015: US\$71,000 thousand) has been recognised for 29 (2015: 19) marine vessels (Note 9).

The depreciation charge has been allocated as follows:

	Notes	2016 US\$'000	2015 US\$'000
Cost of revenue		73,373	69,429
Administrative expenses	8	949	1,075
		74,322	70,504

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14. INTANGIBLE ASSETS AND GOODWILL

	2016			2015		
	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	1,069	27,243	26,174	514	26,688
Additions	–	1,481	1,481	–	621	621
Amortisation	–	(50)	(50)	–	(66)	(66)
At 31 December	26,174	2,500	28,674	26,174	1,069	27,243
Cost (gross carrying amount)	26,174	4,049	30,223	26,174	2,568	28,742
Accumulated amortisation	–	(1,549)	(1,549)	–	(1,499)	(1,499)
Net carrying amount	26,174	2,500	28,674	26,174	1,069	27,243

Amortisation of intangible assets has been allocated to administrative expenses in the consolidated statement of 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:

	2016 US\$'000	2015 US\$'000
BUE Marine Limited Unit	18,383	18,383
Doha Marine Services Unit	7,791	7,791
	26,174	26,174

The recoverable amount of each cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management.

KEY ASSUMPTIONS USED IN DISCOUNTED CASH FLOW PROJECTION CALCULATIONS

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

Discount rate

The discount rate used in 2016 is 11.80% (2015: 11.70%).

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 2016 is 3% (2015: 3%).

Sensitivity to changes in assumptions

Management believes that there is adequate headroom, particularly with reference to the recent fall in oil prices as some of the key assumptions are conservative, particularly the expected growth rate. For the year ended 31 December 2016, there have been no events or changes in circumstances to indicate that the carrying values of goodwill of the above three cash-generating units may be impaired.

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 US\$'000	2015 US\$'000
Trade accounts receivable	99,099	93,168
Allowance for trade accounts receivable	(4,538)	(8,627)
	94,561	84,541
Prepaid expenses	3,692	2,941
Advance to suppliers	2,768	5,197
Retention receivable	1,998	1,934
Other receivables	7,476	6,942
	110,495	101,555
Less: Non-current portion	(930)	(1,397)
	109,565	100,158

At 31 December 2016, trade receivables with a nominal value of US\$4,538 (2015: US\$8,627 thousand) were impaired. Movement in the allowance for trade accounts receivables is as follows:

	Notes	2016 US\$'000	2015 US\$'000
At 1 January		8,627	8,668
Charge for the year	9	3,472	268
Amounts written off		(7,561)	(309)
At 31 December		4,538	8,627

The impaired receivables are outstanding for more than 120 days (2015: outstanding for more than 120 days).

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

	2016 US\$'000	2015 US\$'000
GCC	6,135	18,754
Caspian	81,076	55,484
Others	7,350	10,303
At 31 December	94,561	84,541

At 31 December, the ageing of unimpaired 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
2016	94,561	76,485	5,228	4,296	4,348	2,742	1,462
2015	84,541	52,009	14,393	6,362	4,109	1,051	6,617

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities is, 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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16. 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 comprehensive income are as follows:

	2016 US\$'000	2015 US\$'000
Related party – Ultimate Holding Company	7,896	8,684

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2016 US\$'000	2015 US\$'000
Short term benefits	3,433	3,419
Employees' end-of-service benefits	134	123
	3,567	3,542

	2016 US\$'000	2015 US\$'000
Due from related parties		
Topaz Energy and Marine Limited – Holding Company	16,740	16,481
Topaz Energy and Marine Plc, UK – subsidiary of the Holding Company	–	83
Directors	6	–
Tawoos – subsidiary of the Ultimate Holding Company	1	4
	16,747	16,568
Due to a related party		
Renaissance Services SAOG – Ultimate Holding Company	187	564

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

17. DEFERRED TAX ASSETS

	2016 US\$'000	2015 US\$'000
At 1 January	1,464	2,568
Credit/(debit) to profit or loss	5,748	(1,104)
At 31 December	7,212	1,464

The deferred tax balance at 31 December 2016 comprises depreciation in excess of capital allowances of US\$1,826 thousand (2015: US\$617 thousand) and short term temporary differences of US\$5,386 thousand (2015: US\$847 thousand).

The UK corporation tax rate will reduce from 20% to 17% over a period of 4 years from 2016. The next reduction in the UK corporation tax rate from 20% to 19% is effective from 1 April 2017, followed by a reduction 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%.

18. INVENTORIES

	2016 US\$'000	2015 US\$'000
Stores, spares and consumables	5,689	3,326

19. CASH AND CASH EQUIVALENTS

	2016 US\$'000	2015 US\$'000
Cash in bank		
– Short-term deposits	15,000	–
– Current accounts	24,387	55,037
	39,387	55,037
Cash on hand	72	32
Cash and cash equivalents	39,459	55,069

The short-term deposits earn interest of 0.63% per annum.

20. SHARE CAPITAL

	2016 US\$'000	2015 US\$'000
Authorised		
400,000,000 shares of US\$ 1 each (2015: 400,000,000 shares of US\$ 1 each)	400,000	400,000
Issued and fully paid		
284,719,616 shares of US\$ 1 each (2015: 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 2016, 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%.

21. TERM LOANS

	Notes	2016 US\$'000	2015 US\$'000
Term loan, at LIBOR plus 2.75% p.a.	21(i)	300,093	328,852
\$350m, 8.625% Senior Notes due in 2018	21(ii)	344,903	342,462
		644,996	671,314
Current portion		(30,000)	(30,000)
Non-current portion		614,996	641,314

- (i) In 2015, the Group successfully refinanced its existing bank debt amounting to US\$313,659 thousand under various facilities. As a result of this refinancing on 30 April 2015, the Group entered into an agreement with a syndicate of banks for a financing facility of US\$550 million. The existing liabilities under the target restructure loans were prepaid and were replaced by a new term loan amounting to US\$350 million. The new term loan carries interest at the rate of three-month LIBOR plus 2.75% and is repayable in quarterly instalments till April 2022. The Group recognised a charge on extinguishment of debt of US\$8.4 million in 2015 in relation to the prepayment of these term loans. The amount was included as part of finance cost in the consolidated statement of comprehensive income.
- (ii) On 4 November 2013 the Group issued US\$350 million aggregate principal amount of 8.625% Senior Notes (the "Senior Notes") that will mature on 1 November 2018. The Senior Notes pay interest semi-annually in arrears on 1 May and 1 November of each year, commencing 1 May 2014. Interest has been accrued from the issue date. On and after 1 November 2016, the Group may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.3125% for the 12-month period beginning 1 November 2016, 102.15625% for the twelve month period beginning 1 November 2017 and 100% beginning 1 October 2018, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. No redemption has been made as of year-ended 31st December 2016. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Nico Middle East Ltd., incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Global Exchange Market of the Irish Stock Exchange.

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21. TERM LOANS (CONTINUED)

In conjunction with the Senior Notes offering, US\$12.06 million in debt issuance costs were incurred and has been accounted as per IFRS and is amortised into finance cost over the life of the Senior Notes on the effective interest rate basis. US\$120 million, out of the proceeds from the issuance of the Senior Notes, were used to prepay amounts outstanding under some of the senior secured bank borrowings and the balance proceeds have been used for acquisition of new vessels.

At 31 December 2016, the fair value of the Senior Notes is approximately US\$342 million (2015: US\$320 million).

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

The term loan and Senior Notes are repayable as follows:

	2016 US\$'000	2015 US\$'000
Due within one year	30,000	30,000
Due between two to five years	489,999	466,317
Due after five years	124,997	174,997
	644,996	671,314

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 which shall not be less than US\$400 million and minimum total free liquidity which shall not be less than US\$30 million.

At the reporting date, the Group is in compliance with all financial covenants.

22. LOANS DUE TO HOLDING COMPANY

	2016 US\$'000	2015 US\$'000
Term loan (refer (i) below)	80,600	104,000
Current portion	(7,254)	(28,000)
Non-current portion	73,346	76,000

The loan is repayable as follows:

	2016 US\$'000	2015 US\$'000
Due within one year	7,254	28,000
Due between two to five years	52,134	76,000
Above five years	21,212	–
	80,600	104,000

(i) This represents loans obtained from the 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.

23. 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 at the reporting date.

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

	2016 US\$'000	2015 US\$'000
At 1 January	3,868	4,079
Provided during the year	342	302
End-of-service benefits paid	(681)	(513)
At 31 December	3,529	3,868

24. ACCOUNTS PAYABLE AND ACCRUALS

	2016 US\$'000	2015 US\$'000
Current		
Trade accounts payables	41,055	6,675
Accrued expenses	27,297	33,840
Other payables	12,715	12,864
	81,067	53,019
Non-current		
Advanced from customers	112,051	-
Others	-	574
	112,051	574

25. DIVIDENDS

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

The dividend paid in 2015 for the year ended 31 December 2014 was US\$22 million (US\$ 0.08 per share).

26. 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 has 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	
	2016 US\$'000	2015 US\$'000
Current		
Assets	116,982	106,595
Liabilities	169,451	195,281
Total current net liabilities	(52,469)	(88,686)
Non-current		
Assets	494,964	516,008
Liabilities	131,236	145,374
Total non-current net assets	363,728	370,634
Net assets	311,259	281,948

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26. SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)**Summarised statement of comprehensive income**

	Caspian Region Subsidiaries	
	2016 US\$'000	2015 US\$'000
Revenue	99,082	98,915
Profit before income tax	47,420	41,249
Income tax expense	(110)	(695)
Profit for the year from continuing operations	47,310	40,554
Other comprehensive income	–	–
Total comprehensive income for the year	47,310	40,554
Total comprehensive income allocated to non-controlling interests	23,836	20,277
Dividends paid to non-controlling interests	9,000	2,200

Summarised statement of cash flows

	Caspian Region Subsidiaries	
	2016 US\$'000	2015 US\$'000
Cash flows from operating activities		
Cash generated from operations	76,510	30,155
Income taxes paid	(232)	(273)
Interest paid	(21,297)	(26,443)
Net cash generated from operating activities	54,981	3,439
Net cash used in investing activities	(2)	(1,452)
Net cash used in financing activities	(57,675)	(13,239)
Net decrease in cash and cash equivalents	(2,696)	(11,252)
Cash and cash equivalents at 1 January	2,697	13,949
Cash and cash equivalents at 31 December	1	2,697

27. CONTINGENCIES**Contingent liabilities**

	2016 US\$'000	2015 US\$'000
Letters of credit	–	9,000
Letters of guarantee	23,150	22,243
	23,150	31,243

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.

28. COMMITMENTS

	2016 US\$'000	2015 US\$'000
Capital expenditure commitment		
Purchase of marine vessels	346,841	141,300

29. 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 non-cancellable operating leases as of 31 December are as follows:

	2016 US\$'000	2015 US\$'000
Within one year	210,530	200,706
Between two to five years	1,087,970	257,809
More than five years	266,339	–
	1,564,839	458,515

30. 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 2015 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 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 loss	(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	379	141	74,372
Assets	1,114,327	311,519	114,572	629,132	(762,363)	1,407,188
Liabilities	(700,057)	(316,734)	(195,466)	(390,063)	658,010	(944,311)

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for the year ended 31 December 2016

30. OPERATING SEGMENTS (CONTINUED)**Operating segment 2015**

	Caspian US\$'000	MENA US\$'000	Africa US\$'000	Corporate US\$'000	Elimination US\$'000	Total US\$'000
Revenue	227,985	105,647	28,838	–	–	362,470
Direct costs	(109,968)	(74,184)	(33,088)	(1,360)	10	(218,590)
Gross profit (loss)/segment results	118,017	31,463	(4,250)	(1,360)	10	143,880
Administrative expenses	(15,061)	(9,765)	(5,902)	(9,250)	–	(39,978)
Impairment loss	(24,000)	(30,000)	(7,200)	(9,800)	–	(71,000)
Other income	19	18	63	–	–	100
Finance costs, net	(32,003)	(12,765)	(9,882)	(14,596)	–	(69,246)
Income tax expense	(15,327)	(3,653)	(3,268)	–	–	(22,248)
Profit/(loss) for the year	31,645	(24,702)	(30,439)	(35,006)	10	(58,492)
Accumulated depreciation and amortisation	37,257	25,562	6,838	923	(10)	70,570
Assets	772,978	403,726	148,629	71,144	31,187	1,427,664
Liabilities	(205,077)	(157,182)	(32,663)	(458,836)	49	853,709

31. FINANCIAL INSTRUMENTS BY CATEGORY

	Notes	2016 US\$'000	2015 US\$'000
Loans and receivables			
Non-current			
Trade and other receivables	15	930	1,397
Current			
Trade and other receivables (excluding prepayments and advances)	15	103,105	92,020
Due from related parties	16	16,747	16,568
Cash and cash equivalents	19	39,459	55,069
Total current assets		159,311	163,657
Total Assets		160,241	165,054
Other financial liabilities at amortised cost			
Non-current			
Term loans	21	614,996	641,314
Loans due to Holding Company	22	73,346	76,000
Total non-current liabilities		688,342	717,314
Current			
Accounts payable and accruals	24	81,067	53,019
Term loans	21	30,000	30,000
Loans due to Holding Company	22	7,254	28,000
Due to related parties	16	187	564
Total current liabilities		118,508	111,583
Total Liabilities		806,850	828,897

32. 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.

33. 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.

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, receivables due from related parties, long-term receivables and balances with bank.

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33. RISK MANAGEMENT (CONTINUED)**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 29% (2015: 36%) of the Group's revenue is attributable to sales transactions with a single customer. The Group's ten largest customers account for 83% (2015: 84%) of the outstanding trade accounts receivable at 31 December 2016. 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:

	2016 US\$'000	2015 US\$'000
Trade accounts receivable – net	94,561	84,541
Other receivables and retention receivable	9,474	8,876
Due from related parties	16,747	16,568
Cash and cash equivalents	39,387	55,037
	160,169	165,022

33. RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group limits its liquidity risk by ensuring bank facilities are available. The Group's credit terms require the amounts to be paid within 90 days from the date of invoice. Accounts payable are also normally settled within 90 days of the date of purchase.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of 31 December 2016, the Group had undrawn facilities of US\$100 million (2015: US\$240.0 million).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016, 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 2016					
Non-derivative financial liabilities					
Accounts payables and accruals	81,067	81,067	81,067	–	–
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	806,850	947,618	167,148	630,936	149,534

		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 2015					
Non-derivative financial liabilities					
Accounts payables and accruals	53,019	53,019	53,019	–	–
Term loans	671,314	829,466	72,777	574,987	181,702
Loan due to Holding Company	104,000	143,180	61,735	81,445	–
Due to related parties	564	564	564	–	–
Total	828,897	1,026,229	188,095	656,432	181,702

MARKET RISK

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

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for the year ended 31 December 2016

33. RISK MANAGEMENT (CONTINUED)**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 2016, approximately 57% of the Group's borrowings are at a fixed rate of interest (2015: 57%). 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 2015 and 2016.

Profile

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

	Carrying amount	
	2016	2015
	US\$'000	US\$'000
Fixed rate instruments		
Financial assets	–	32
Financial liabilities	425,503	446,462
Variable rate instruments		
Financial liabilities	300,093	328,852

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 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 in the consolidated statement of 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 2015.

	Profit or loss	
	100 bp increase	100 bp decrease
	US\$'000	US\$'000
31 December 2016		
Variable rate instruments	3,001	(3,001)
31 December 2015		
Variable rate instruments	3,289	(3,289)

33. RISK MANAGEMENT (CONTINUED)

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:

	US\$'000								
	EUR	AZN	KZT	RUB	GBP	NOK	NGN	JPY	SGD
31 December 2016									
Bank balances	37	4	22	673	8	10	61	-	-
Trade accounts payables	(711)	(281)	(52)	(33)	(99)	(10)	(30)	(46)	1
Net statement of financial position exposure	(674)	(277)	(30)	640	(91)	-	31	(46)	1
31 December 2015									
Bank balances	7	12	13	579	1	1	613	-	-
Trade accounts payables	(478)	(297)	(34)	(1)	(148)	(22)	(157)	(11)	(1)
Net statement of financial position exposure	(471)	(285)	(21)	578	(147)	(21)	456	(11)	(1)

The following significant exchange rates applied during the year:

	Average rate (to 1 US\$)		Reporting date spot rate (to 1 US\$)	
	2016	2015	2016	2015
Euro (EUR)	0.933	0.869	0.950	0.915
Azerbaijan New Manat (AZN)	1.666	0.916	1.771	1.049
Kazakhstan Tenge (KZT)	336.65	259.59	333.29	338.85
Russian Rouble (RUB)	66.793	64.87	60.657	73.29
Great Britain Pound (GBP)	0.742	0.659	0.810	0.675
Norwegian Kroner (NOK)	8.336	8.093	8.623	8.75
Japanese Yen (JPY)	114.63	120.18	116.97	120.36
Singapore Dollars (SGD)	1.397	1.367	1.446	1.41
Nigerian Naira (NGN)	250.75	189.14	305.00	197.29

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33. RISK MANAGEMENT (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 2015.

	Effect on profit before tax	
	Strengthening by 5% US\$'000	Weakening by 5% US\$'000
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
2015		
Euro (EUR)	24	(24)
Azerbaijan New Manat (AZN)	14	(14)
Great Britain Pound (GBP)	7	(7)
Kazakhstan Tenge (KZT)	1	(1)
Russian Rouble (RUB)	(29)	29
Norwegian Kroner (NOK)	1	(1)
Japanese Yen (JPY)	1	(1)
Singapore Dollars (SGD)	–	–
Nigerian Naira (NGN)	(23)	23

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:

	2016 US\$'000	2015 US\$'000
Interest-bearing loans and borrowings	725,596	775,314
Less: cash and short term deposits	(39,459)	(55,069)
Net debt	686,137	720,245
Equity	462,877	573,955
Capital and net debt	1,149,014	1,294,200
Gearing ratio	59.72%	55.65%

There were no changes in the Group's approach to capital management during the year. As disclosed in Note 21 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.

34. 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:

	2016 US\$'000	2015 US\$'000
Increase in deferred tax asset	5,748	1,104
Dividend to non-controlling interest set off against receivables	–	12,700

35. COMPARATIVE FIGURES

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

36. 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 23 February 2017.

GLOSSARY

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

Cable layer

A vessel with the ability to lay cable, including fibre-optic cables for telecoms, or power lines for energy supplies

CAGR

Compound Annual Growth Rate

CAPEX

Capital expenditure

COBC

Code of Business Conduct

Core assets/vessels

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

Crew boat

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

Deadweight tonnage (DWT)

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

Dry-docking

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 company 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)

EOI

Expression of interest

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

FPSO (Floating Production, Storage and Offloading)

A floating vessel used to produce and process offshore oil and gas and to store oil

FSO (Floating Storage and Offloading)

A vessel used only to store oil (without processing it)

GRT (Gross register tonnage)

GRT is a volume measure used to record the 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
www.imca-int.com/

IMR

Installation, maintenance and repair

IOC

International Oil Company

ISO

International Organisation for Standardisation

KPI

Key Performance Indicator

Lay-up (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 lay-up: Lay-up condition for vessels expected to return to active operations within 3-6 months

Cold lay-up: Lay-up condition for vessels taken out of service for a period expected to exceed 6 months

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

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; and

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. Work might be;

- an assignment to a temporary job;
- working in the regular job, but not performing all the usual duties of the job

Where no meaningful Restricted Work is being performed, the incident should be recorded as a Lost Work Day case.

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

Mattress lay

The process of positioning a protective cover over a laid cable or pipeline on the surface of the seabed

MCV

Module Carrying Vessel

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

Moonpool

An opening in the vessel hull, which allows the lowering of equipment, tools and materials into the sea below in a more controlled and protected environment

MPSVs (Multi-Purpose Support Vessels)

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

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

OSVs (Offshore Support Vessels)

When referring to the Topaz fleet, includes: AHTSVs, PSVs, MPSVs, ERRVs, specialised barges, crew boats 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

PR (Production and Risers) platform jacket

A PR platform jacket is a high-strength tubular steel structure, often attached to a platform deck, with feet on the seabed that stabilises and protects a riser. A riser is a pipe that connects an offshore structure or rig to a subsea system for processes such as drilling

PSVs (Platform Supply Vessels)

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

QHSSE

Quality, Health, Safety, Security and Environment

RFQ

Request for quote

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 lay-up

Subsea

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

TCO

Tengizchevroil LLP

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

AWARDS AND ACCOLADES

2015

Winner

Offshore and Energy Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Maritime Services Award, Lloyd's List Middle East and Indian Subcontinent Awards

Highly Commended

Safety Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

The Safety and Quality Award, Seatrade Maritime Awards

Highly Commended

Safety Awards, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Deal of the Year, Seatrade Global Awards

2014

Winner

Offshore and Energy Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Ship Operator Award, Lloyd's List Middle East and Indian Subcontinent Awards

Highly Commended

Safety Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Offshore Marine Development Africa Award, Seatrade Maritime Awards

2013

Winner

Offshore and Energy Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Workboats Award, Seatrade Middle East and Indian Subcontinent Awards

2012

Winner

Ship Operator Award, Lloyd's List Middle East and Indian Subcontinent Awards

Highly Commended

Safety Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Workboats Award, Seatrade Middle East and Indian Subcontinent Awards

2011

Winner

Workboats Award, Seatrade Middle East and Indian Subcontinent Awards

Winner

Safety and Quality Award, Seatrade Middle East and Indian Subcontinent Awards

Silver Award

The Royal Society for the Prevention of Accidents (RoSPA)

Best Safety Video

MarineBiz TV International Maritime Awards

Shortlisted

Management/Operations Category, Safety at Sea International Awards

2010

Winner

Energy Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Shipowner/Operator Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Marine and Offshore Award, Seatrade Middle East and Indian Subcontinent Awards

Winner

Workboats Award, Seatrade Middle East and Indian Subcontinent Awards

Winner

Shipping Company of the Year, Seatrade Middle East and Indian Subcontinent Awards

Silver Award

The Royal Society for the Prevention of Accidents (RoSPA)

Awardee

Qatar Today Green Awards

2009

Winner

Safety at Sea Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Workboats Award, Seatrade Middle East and Indian Subcontinent Awards

2008

Winner

Innovation and Safety Award, Lloyd's List Middle East and Indian Subcontinent Awards

Winner

Workboats Award, Seatrade Middle East and Indian Subcontinent Awards

BP President's Award

Received by the crew of the ERRV Baki for the safe recovery and transport to shore of all CA platform personnel in Azerbaijan

CORPORATE DIRECTORY

HEADQUARTERS

Topaz Energy and Marine

Level 58, Almas Tower,
Jumeirah Lakes Towers,
P.O. Box 282800, Dubai, UAE
Tel: +971 4 440 47 00
Fax: +971 4 440 47 99
Email: topaz.world@topazworld.com

REGIONAL OFFICES

TOPAZ MARINE CASPIAN

For all Topaz Marine Caspian offices
Email: commercial.caspian@topaz-marine.com

BUE Caspian Limited

5th Floor, ISR Plaza Business Centre,
69 Nizami Street,
Baku, AZ1005 Azerbaijan
Tel: +994 124 97 87 67
Fax: +994 124 97 25 96

BUE Kazakhstan Limited

2nd Floor, Building 80, Micro Region 14,
P.O. Box 130000, Aktau,
Republic of Kazakhstan
Tel: +7 7292 42 82 72
Fax: +7 7292 42 82 77

BUE Marine Turkmenistan Limited

Bitarap Turkmenistan Shayoly 231,
Oguzkent Hotel Business Centre,
Office 401, Ashgabat, Turkmenistan
Tel: +993 12 44 99 38
Fax: +993 12 44 99 39

Topaz Astrakhan Limited

7, Turgeneva str, 2nd Floor,
Astrakhan, Russia
Tel: +7 8512 23 80 72
Fax: +7 8512 23 80 72

TOPAZ MARINE MENA

For all Topaz Marine MENA offices
Email: commercial.mena@topaz-marine.com

Doha Marine Services WWL

P.O. Box 37102, 4th Floor, Faisaliyah Building,
Suhaim Bin Hamad Street, Al Saad Area,
Doha, State of Qatar
Tel: +974 4410 48 00
Fax: +974 4447 94 73

Topaz Marine Saudi Arabia Co Ltd.

Al Jarbou Tower, 9th Floor, Office 902,
Dhahran Street, P.O. Box 4905,
Al Khobar 31952, Kingdom of Saudi Arabia
Tel: +966 13 835 36 30
Fax: +966 13 833 41 58

TOPAZ MARINE AFRICA

For all Topaz Marine Africa offices
Email: commercial.africa@topaz-marine.com

Topaz Marine Angola

138 Ilha do Cabo,
Avenida Murtala Mohammed,
Luanda, Angola
Tel: +244 222 7250 55

Topaz Marine Nigeria

3rd Floor, Atlantic House,
121 Louis Solomon Close,
Ahmadu Bello Way, Victoria Island,
Lagos, Nigeria

INVESTOR CONTACT

Morten Jorgensen

Head of Strategy and Corporate Planning
Tel: +971 4 440 47 00
Email: ir.topaz@topazworld.com

MEDIA CONTACTS

FTI Consulting, Dubai
John Hobday, Jon Earl
Tel: +971 4 437 2100
Email: topaz@fticonsulting.com

FTI Consulting, London
Ben Brewerton, George Parker, Emerson Clarke
Tel: +44 203 727 1000
Email: topaz@fticonsulting.com

NOTES

LEADING THROUGH INNOVATION

Landmark contract awarded. We are humbled to play a major role in the Tengizchevroil project, which secures medium- to long-term growth for our business.



CONCEPTUALISATION

The first of their kind, our Module Carrying Vessels (MCVs) were conceptualised in Ålesund, Norway, home to our long-standing shipbuilding partner, Vard, and an important centre for shipbuilding services ever since the discovery of oil in the North Sea in the 1970s.



SHIPBUILDING CENTRES OF EXCELLENCE

Seven of the MCVs owned and managed by Topaz are being built in Vard's shipyard in Vietnam, with the remainder in Romania. Located in southern Vietnam, at the tip of a small peninsula, Vũng Tàu means 'ship's bay' or 'anchorage' in Vietnamese.



NAVIGATING CHALLENGING WATERWAYS

Our MCVs will pass through Lake Ladoga, which is part of the Volga-Baltic Waterway, a mediaeval trading route which links into the complex and shallow canals of the Russian inland waterways system.



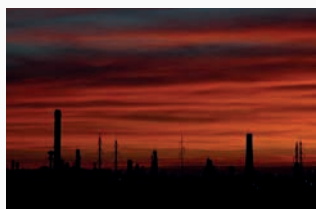
AN INDUSTRY FIRST

Topaz will construct, own and operate MCVs – specialist ships able to carry up to 1,800 tonnes of cargo in shallow river systems.



TOPAZ'S HOME ADVANTAGE

The Caspian Sea is the planet's largest enclosed inland body of water and is bordered by Kazakhstan, Russia, Azerbaijan, Iran and Turkmenistan. Topaz has operated in the Caspian Sea since 1990. With over 33% regional market share, Topaz is an established offshore support vessel (OSV) operator of choice for major oil and gas clients in this area.



FACILITATING GROWTH AND EFFICIENCY

Topaz's involvement in the TCO project will enable the Tengiz oil field in western Kazakhstan, already one of the world's deepest producing super-giant fields, to increase its production capacity significantly.

TOPAZ ENERGY AND MARINE

Level 58, Almas Tower, Jumeirah Lakes Towers, P.O. Box 282800, Dubai, UAE
Tel +971 4 440 47 00 Fax +971 4 440 47 99

WWW.TOPAZWORLD.COM