



TOPAZ ENERGY AND MARINE
ANNUAL REPORT AND ACCOUNTS 2014



Essential. Focused. Resilient.

Essential. Focused. Resilient.

As a leading offshore support vessel (OSV) company we are an essential part of the energy supply chain. We provide services to offshore oil and gas producers, enabling them to supply energy to their own customers.

We remain focused on our core capabilities, targeting our investment with discipline to achieve our strategic growth plans.

Through our essential service offer and focused approach we have demonstrated resilient performance through market cycles.

Headquartered in Dubai with nine operational centres, we are primarily focused on the Caspian, Middle East, West Africa with Subsea operations in the North Sea and Gulf of Mexico.

As we move into the next stage of our strategic growth we will remain focused on maintaining our performance across all operational disciplines, investing both in our core fleet and our people.

We are recognised in the industry for **our strong operational track record**, **uncompromising focus on safety** and **our provision of quality offshore services**, made possible by **our valued employees** and their **customer commitment**.

Location / North Sea

Vessel / Topaz Commander is an 89-metre, 9,600 BHP, DP2 Multi-Purpose Support Vessel in the Topaz Subsea fleet. In the summer of 2014, the Topaz Commander was commissioned by VSMC / LD Travocean to carry out trenching, mattress laying and ROV work for the wind turbine installations in the Butendiek offshore wind farm, near the German-Danish border.

Years in Topaz service / 5

Number of crew / 18

Typical missions / Subsea support including ROVs, crane operations, trenching and diving operations primarily in Europe for oil and gas and offshore wind energy projects.



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A global operator focused on core markets

Operating primarily in the in the Caspian, Middle East, West Africa with Subsea operations in the North Sea and Gulf of Mexico, we offer offshore support vessel (OSV) services, such as anchor handling, platform supply, emergency response and recovery, and crew transfer to many blue-chip clients in the offshore oil and gas industry.

GROUP PERFORMANCE AND KEY FIGURES AT A GLANCE

REVENUE (US\$M)

405

2013 / 377

EBITDA (US\$M)

204

2013 / 163

EBITDA MARGIN

50%

2013 / 43%

NUMBER OF EMPLOYEES

1,917

2013 / 1,772

TOTAL FLEET SIZE

95

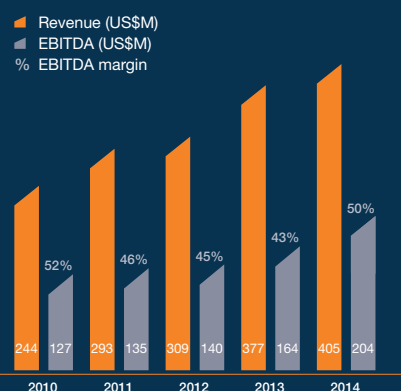
2013 / 94

CONTRACT VISIBILITY

69%

of revenue secured for 2015

PROFITABLE GROWTH THROUGH LONG AND SHORT CYCLES

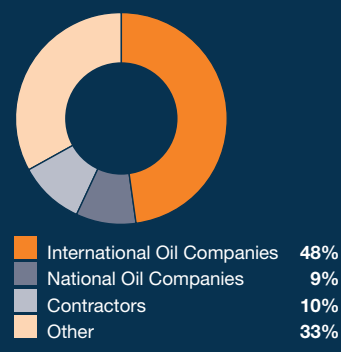


OUR CUSTOMERS AND TYPICAL CONTRACTS

We work with some of the largest global and national oil companies and leading offshore contractors.



KEY CUSTOMER REVENUE BY TYPE



HOW WE ARE ORGANISED AND FLEET LOCATION

In 2015 we announced a new divisional structure.

We now operate across four divisions, allowing our management teams to focus on core markets and growth areas.



C

TOPAZ MARINE CASPIAN

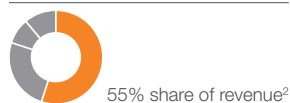
Headquarters
Baku, Azerbaijan

58 vessels
61% of fleet

704 offshore employees
113 onshore employees

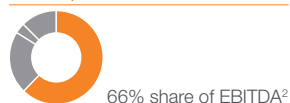
REVENUE 2014

US\$223 million (2)%



EBITDA 2014

US\$134 million



More information 34 ►

M

TOPAZ MARINE MENA

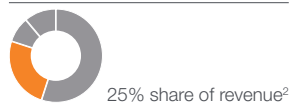
Headquarters
Doha, Qatar

21 vessels
22% of fleet

523 offshore employees
66 onshore employees

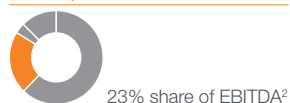
REVENUE 2014

US\$101 million +10%



EBITDA 2014

US\$47 million



More information 36 ►

A

TOPAZ MARINE AFRICA

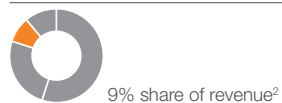
Headquarters
Dubai, UAE

13 vessels
14% of fleet

325 offshore employees
Onshore employees¹

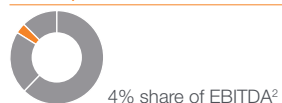
REVENUE 2014

US\$38 million +137%



EBITDA 2014

US\$8 million



More information 38 ►

S

TOPAZ MARINE SUBSEA

Headquarters
Dubai, UAE

3 vessels
3% of fleet

99 offshore employees
Onshore employees¹

REVENUE 2014

US\$43 million +5%



EBITDA 2014

US\$26 million



More information 40 ►

¹ Onshore employees across Topaz Marine Africa and Topaz Marine Subsea total 23.

² Corporate / adjustments to be considered in order to arrive at the consolidated Group revenue and EBITDA figures.

COMPETITIVE STRENGTHS

Nine strong drivers support our long-term growth and value creation.

ESSENTIAL. FOCUSED. RESILIENT.

We have a strong financial position, supported by long-term visibility of earnings and equity injections.

Our strong track record of operational efficiency is underpinned by our experienced management team, uncompromising focus on safety standards and customer relationships.

With positive long-term market demand, a leading position in key markets and a well-invested and diverse fleet we are well placed to demonstrate our proven resilience in achieving both revenue and profitability growth through economic cycles.



OUR COMPETITIVE STRENGTHS UNDERPIN OUR BUSINESS MODEL

More information 08 ►

WE REVISED OUR STRATEGIC PRIORITIES IN 2014

More information 12 ►

WE REMAIN FOCUSED ON ACHIEVING OUR STRATEGIC OBJECTIVES IN A SUSTAINABLE WAY

More information 18 ►

COMPETITIVE STRENGTHS AND PERFORMANCE IN 2014

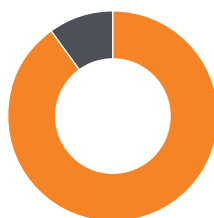
	KEY HIGHLIGHTS
1 SUPPORTIVE LONG-TERM INDUSTRY OUTLOOK	Whilst there is significant market pressure in 2015, the long-term outlook for both the OSV industry and Topaz remains positive with continuously growing demand for OSVs beyond 2020 and an increasing proportion of oil and gas capex spent offshore. More information 10 ►
2 DIVERSIFIED, MODERN AND HIGH-SPEC FLEET	Topaz operates a modern fleet of 98 vessels, including three new-builds, with an average age of c.7.1 years and a net book value of US\$1.3 billion. Topaz's young fleet, contrasted with the high average age of the worldwide OSV fleet, allows Topaz to stand apart. We expect that the benefits of a young and technologically advanced fleet will only strengthen in the years to come as our clients place increasing emphasis on safety, operational uptime and fuel efficiency. More information 32 ►
3 NICHE POSITIONING IN CASPIAN HOME MARKET	Topaz is the market leader in the core OSV market in the Caspian with its Azerbaijan position as the prime market. The unique geography of the Caspian region favours established players due to its high physical barriers to entry. Topaz has built its market position and client relationships over decades and aims to further consolidate and grow its Caspian presence through the support of its strong and supportive partners. More information 34 ►
4 ESTABLISHED RELATIONSHIPS WITH LEADING INDUSTRY PLAYERS	Topaz's client base is made up of a healthy mix of International Oil Companies (IOCs) and prominent National Oil Companies (NOCs) with strong credit ratings. Topaz's relationships with its major clients stretch over multiple years and, in some cases, over several geographies. More information 02 ►
5 LONG-TERM CONTRACTS PROVIDE STABILITY AND EARNINGS VISIBILITY	Topaz's average contract tenor is more than 2.5 years, providing stable cash flow and visibility of earnings. The Company's contract backlog is equivalent to more than two years of revenues, owing to our strong record of contract renewals in our core markets. More information 28 ►
6 SOUND HSE AND OPERATIONAL TRACK RECORD	We are of the firm belief that our high QHSSE standards are a competitive advantage and underpin our strong client relationships and our ability to implement our strategy. We delivered a zero fatal injury and 0.21 lost time incident frequency rate in 2014. More information 19 ►
7 ROBUST FINANCIAL PERFORMANCE	Topaz has achieved both revenue and profitability growth through economic cycles. The Company's track record of 13.5% compound annual revenue growth from 2010 to 2014 was delivered through a disciplined execution of our strategy and judicious investments in core assets. More information 28 ►
8 EXPERIENCED MANAGEMENT	We have a highly professional, collegial and committed management team, who exercise consistent levels of prudence and discipline with respect to return on capital for the fleet. Our management team has an average of 25 years of relevant experience. More information 50 ►
9 SUPPORTIVE SHAREHOLDERS	We have supportive shareholders with a proven record of equity injection and reinvestment of profits in order to enable further growth of the business. In 2014, Standard Chartered Private Equity became a 9.8% shareholder through an injection of US\$75 million of new equity. More information 06 ►

We strengthened our financial platform for future growth and reached an important milestone, achieving EBITDA of over US\$200 million.



“Following an equity injection of US\$75 million in November 2014, we welcomed a new shareholder and Board member.”

SHAREHOLDERS TOPAZ ENERGY AND MARINE



Renaissance Services SAOG	90.2%
Standard Chartered Private Equity	9.8%

DIVIDEND FOR THE YEAR

US\$22m

Approved by the Topaz Board

EBITDA

US\$204m

ESSENTIAL. FOCUSED. RESILIENT.

2014 was a year of focused strategic development. We reached an important financial milestone, achieving an EBITDA of over US\$200 million, and brought on board a new shareholder.

During the reporting period, our 2020 strategy was endorsed externally, giving the Board even greater conviction that Topaz is steering the right path for long-term growth. This is all the more reassuring given the turbulent market conditions which confronted us at the outset of 2015 and which are persisting.

We provide essential services to the energy industry and remain focused on our core capabilities and markets to operate effectively and efficiently. Given the nature of our services and our strategic focus, we have confidence in our resilient business model to weather current trading conditions.

More information 10 ►

EQUITY INJECTION

In Q3 2014 Standard Chartered Private Equity (“SCPE”) acquired a 9.8% stake in Topaz Energy and Marine for an investment of US\$75 million.

Renaissance Services SAOG retains ownership of the balance of shares and has confirmed this action as an important step in its capital market plan towards a potential intention to list Topaz independently at the appropriate time, and on the appropriate market.

BOARD CHANGES

As a result of the equity injection the Topaz Board has gained further world-class experience and expertise. We were delighted to welcome Taimoor Labib as Non-executive Director, who brings over 18 years of private equity and M&A expertise across a wide range of industries and geographies, to help us deliver our long-term strategic plans.

More information 44-49 ►

GOVERNANCE STRUCTURE

The Topaz Board and its Committees continue to operate well. Our independent Non-executive Director, Philip Gore-Randall, chairs our Audit Committee and is a member of our Remuneration Committee.

It remains our intention to appoint more independent Non-executive Directors with relevant expertise in due course in order to shape our Board further in line with international best practices.

This will enable 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.

More information 44-47 ►

DIVIDENDS

At a meeting of the Board of Directors held on 18 February 2015, the Board proposed a dividend of US\$22 million for the year ended 31 December 2014 (2013: US\$20 million).

YEAR IN REVIEW

Strong performance

Our revenue increased by 7% to US\$405 million (2013: US\$376 million). EBITDA increased by nearly 25% to US\$203.8 million (2013: US\$163.4 million).

More information 26-29 ►

Strategic focus

During the reporting period the Boston Consulting Group independently reviewed the Topaz 2020 Vision and Strategy.

This proved to be a valuable exercise. It validated our long-term growth plans and gave us the confidence to stay focused on our strategy, despite recent turbulent market conditions.

More information 12-13 ►

Disciplined capital allocation

We made capital investments of US\$268.8 million (2013: US\$199.0 million) during the year to modernise and expand our fleet. We acquired six vessels, previously operating on bareboat charter, and five brand new vessels. These valuable additions to our fleet will improve our service to existing clients and help attract new clients. In line with our strategy to focus on our core, modern fleet, we also divested three ageing vessels. We plan further strategic fleet investment in 2015, including expanding our subsea service capability.

More information 28-33 ►

Significant short-term pressures

We are very aware that our strategic commitment to long-term presence and growth in West Africa presents us with serious challenges in the wake of the oil price crisis. Whilst we are not immune to this pressure in the Caspian and MENA regions, our business there is supported by our stable business model of established medium- to long-term contracts and secured income streams.

In West Africa, however, the short-term position is more volatile with a squeeze on spot rates, cancellations and temporary tender suspensions. This sudden loss of revenue flows directly to the bottom line and there will be a time lag before we see the benefits of our immediate efforts to manage this situation. Nonetheless, we remain resolute in our long-term strategies, particularly in West Africa.

More information 24-27 ►

Investing in our people

We have invested significantly in our employee programmes during the year, ensuring that our employees are rewarded fairly for their valued contribution and promoting a culture of performance, pride and loyalty. We thank our employees for helping us to achieve our strong performance in 2014 and for their fortitude during the more recent difficult trading conditions.

More information 18-23 ►

OUTLOOK

We expect the current difficult trading conditions to impact our operations well into the first half of 2015, particularly for our West Africa operations. Whilst we anticipate decreasing pressure as the year progresses, our overall performance will be dependent on the scale of new opportunities that arise alongside our strong order backlog. Immediate temporary setbacks in our short-term contracts are counter-balanced by stability in our long-term contracts, our predominant presence in the sustainable development and production phases of the oilfield lifecycle and the safety, relevance and efficiency of our modern fleet.

We continue to remain positive about the strong long-term market fundamentals and our excellent position in our target markets. The clarity of our strategic path and the consistency of our performance track record – both operationally and financially – give us the confidence to reiterate our high ambitions to all our stakeholders.



Samir J. Fancy
Chairman

OUR BUSINESS MODEL

We are a leading offshore support vessel (OSV) company. We create value by providing essential services across the oil extraction lifecycle.

HOW WE CREATE VALUE

We provide essential services to the key players in the oil and gas industry. We create value by carrying out these services in a more cost-effective and efficient way than can be done by our customers themselves.

Critical to our ability to win and retain business across all stages of the oil extraction lifecycle are our competitive strengths, summarised in the diagram below. Whilst being price-competitive is a major factor, our customers are also looking for flexibility of services, our track record on safety and the quality of our crews and support personnel.

WIDER VALUE CREATION

Our competitive strengths enable us to create value for a wide set of stakeholders:

- > Shareholders
- > Employees
- > Communities
- > Governments
- > Reinvestment in the business
- > Customers
- > Suppliers

SALARIES AND WAGES (US\$M)

105.5

DIVIDEND (US\$M)

22

COMMUNITY INVESTMENT (US\$)

69,000

Paid to The Mission to Seafarers, in support of the Flying Angel

TAXES (US\$M)

22

INTEREST (US\$M)

63.7

CAPITAL EXPENDITURE (US\$M)

268.8

A PURE PLAYER WITH UNIQUE COMPETITIVE STRENGTHS



REWARDING PERFORMANCE

We continue to develop our HR processes to ensure we have engaged and loyal employees with the right skills and aspirations to grow with us. Our new employee value proposition articulates our commitment to rewarding performance.

[More information 21 ►](#)



DEEPENING OUR SAFETY CULTURE

We strive for continuous improvement in our safety performance. We carry out an annual employee survey to measure our safety culture to understand where we can best target our resources.

[More information 19 ►](#)



INVESTING IN OUR CORE FLEET

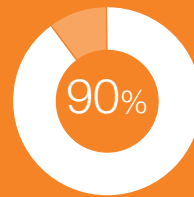
We allocate our capital with discipline, focusing our build and renewal programme on our core fleet of versatile vessels. This approach enables us to win and maintain contracts and achieve high utilisation rates and returns.

[More information 32 ►](#)

ENERGY EXTRACTION LIFECYCLE

	EXPLORATION	DEVELOPMENT	PRODUCTION
TYPICAL LENGTH OF PHASE	3 to 5 years	2 to 4 years	Throughout a field's lifecycle
TYPICAL ENERGY INDUSTRY ACTIVITY	Seismic surveys and exploratory drilling on the ocean bed to ascertain potential oil and gas reserves and establish accurate locations for drilling	Drilling development wells and building oil and gas production facilities, including: (i) offshore production platforms (ii) floating production, storage and offloading vessels (FPSOs); and (iii) submerged pipelines in ocean beds	Extraction, storage and offloading of oil and gas

TOPAZ ENERGY AND MARINE'S CONTRACT EXPOSURE



TOPAZ ENERGY AND MARINE'S TYPICAL VESSEL TYPES

- > AHTSVs
- > PSVs

- > AHTSVs
- > PSVs
- > MPSVs
- > Subsea vessels

- > AHTSVs
- > PSVs
- > MPSVs
- > Subsea vessels

More information 32 ►

TOPAZ ENERGY AND MARINE'S TYPICAL SERVICES



- > Supporting seismic surveys
- > Refuelling, resupplying seismic survey vessels
- > Surveillance and warning services
- > Towing, anchor handling and mooring drilling rigs
- > Towing floating equipment and barges
- > Transporting general supplies



- > Mobilising and demobilising, FPSOs and offshore construction vessels
- > Towing, anchor handling and mooring crane barges, pipe-laying vessels and drilling rigs
- > Supporting diving operations and pipeline inspections
- > Transporting fuel, water, general supplies and personnel
- > Safety and emergency response services
- > Security services in offshore fields

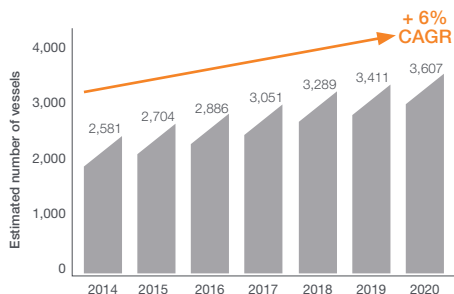


- > Towing and mooring FPSOs/FSOs
- > Transporting cargo, waste components and raw materials, equipment and general supplies
- > Transporting personnel
- > Repair and maintenance support services for pipelines and platforms
- > Safety and emergency response services
- > Security services in offshore fields and terminals

OUR MARKETPLACE

In this section we analyse both the strategic impact of the short-term oil price plummet and the strong, longer-term market fundamentals.

OSV MARKET DEMAND
DEMAND INCREASING BY 6% ANNUALLY UNTIL 2020



Source: Infield; Rystad; MarineBase; BCG analysis

“In the short term we are relatively well protected from any immediate impact.”

POSITIVE OUTLOOK

69%

Revenue secured for 2015

DEVELOPMENT AND PRODUCTION

>90%

of our fleet operates in the development and production phase of oil extraction

BRENT CRUDE OIL PRICE (US\$)
APRIL 2010 TO APRIL 2015



Source: Thompson Reuters

Q: HOW IS THE OIL PRICE DROP AFFECTING TOPAZ IN THE SHORT TERM?

A: The recent fall in the price of crude oil is dramatic but not unprecedented. Topaz has lived through similar falls in late 2008 and early 2009 without a material impact on returns. The factors underpinning our resilience are: our portfolio of long-term contracts; our exposure mainly to the development and production stages of the oil and gas field lifecycle; our willingness to invest through economic cycles to build long-term value; and our strong positions in markets of relative stability, such as the Caspian and MENA.

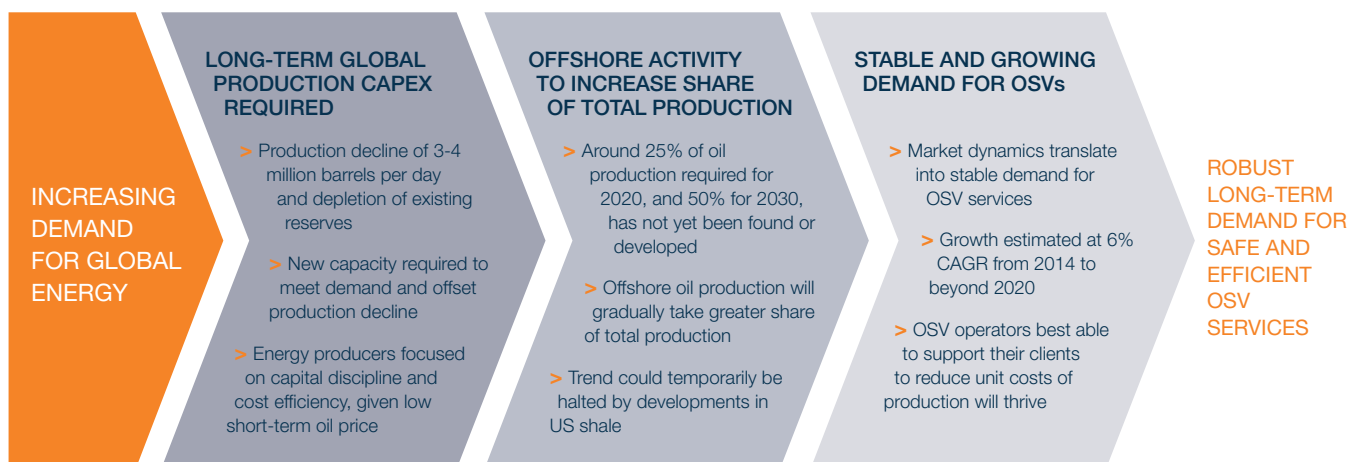
Our competitive strengths are just as relevant in 2015 in the current environment. Today, however, Topaz is a larger company with a more diverse geographical footprint. This means that in some areas, such as West Africa, we are more exposed to headwinds in the current downturn. Activity in the offshore sector is generally low, which drives down vessel utilisation and consequently day rates. So the first half of 2015 will certainly be challenging.

Topaz's response to this market pressure is to adopt a highly disciplined approach to costs, cash cycle and capital expenditure. However, we believe that the best companies can grow even through a downturn. Therefore, even now, we are investing in building our commercial and operational capabilities.

Coming into 2015, 69% of our budgeted revenue is secured by contracts. This provides a solid base on which to compete in the marketplace for the remaining uncovered revenue.

Q: HOW IS THIS PRICE DROP AFFECTING THE OVERALL INDUSTRY?

A: Firstly, we believe that nothing has materially changed in the oil and gas industry. Factors such as slower demand and temporary overproduction, combined with the politics of global oil markets and speculation by financial investors with few physical ties to the oil market, have driven down the oil price dramatically in the very short term. This may persist for some time. However, we believe that, eventually, market fundamentals will prevail and the oil price will start normalising to a level where the full cost of oil and gas replacement is covered and a decent return on capital is possible.



However, even in the scenario described above, our clients are and will likely remain firmly focused on capital discipline and cost efficiency. Those OSV operators best able to support clients to reduce their unit cost of production will thrive and others will inevitably struggle.

Q: WHAT DOES THIS MEAN FOR TOPAZ IN THE MEDIUM TO LONG TERM?

A: With a young fleet, Topaz is very well placed to be cost competitive and support its clients during this period of low oil prices. Younger vessels consume less fuel, are safer to operate and have less downtime compared to older counterparts.

We will, of course, stay true to our business model of competing primarily for medium- to long-term contracts and remaining exposed, predominantly, to the relatively stable development and production phases of the oil extraction cycle. We will maintain our proactive approach to cost management and ensure through the support of our shareholders and lending group that we are appropriately capitalised.

We believe Topaz is well positioned to thrive in an environment of cost focus in the medium to long term.

IN SUMMARY: OUR POSITION

- > Track record of resilience in low oil price environment
- > Disciplined approach to costs, cash and capital expenditure
- > Continuing to invest judiciously for growth even in the downturn
- > Strong long-term market fundamentals
- > Relatively low exposure to reduced industry expenditure in exploration phase
- > Able to respond to client demand for cost control
- > Young, cost-effective and safe fleet
- > Focused on medium- to long-term contracts with over two-thirds of 2015 budgeted revenue secured
- > Supportive shareholders
- > Well positioned to thrive in this low cost environment



The PSV Caspian Provider arrives at the SPS Port as the PSV Caspian Pride departs. The SPS Port at the "BOS Shelf" deepwater oil structures production plant in Baku is the one of the main quaysides used by Topaz vessels in the country and is located some 30 kilometres from the city centre.

Our vision is to become “The Global Local quality champion” and a top five OSV player with profitability in the top quartile.

IN ORDER TO ACHIEVE OUR VISION WE ARE FOCUSED ON THE FOLLOWING FOUR STRATEGIC PRIORITIES:

MAINTAIN A PRUDENT FINANCIAL POLICY WITH STRONG FUNDING CAPABILITY

- > We strive to maintain a strong balance sheet with ample liquidity and will achieve this by focusing on cash generation by achieving higher utilisation, improving our cost management and focusing on the return on assets in our operations and future investments
- > We will also continue to explore opportunities to optimise our capital structure by diversifying our sources of funding through a balance of bilateral debt with our relationship banks, access to the capital markets and equity injections from our shareholders
- > We intend to use our cash flows to deleverage our balance sheet, reduce our net debt to EBITDA ratio and also to fund our disciplined capital expenditure

IMPROVE EXECUTION

- > Core to our success is the maintenance of the highest level of operating standards and we continuously strive to improve our operational and technical delivery, such as dry-docking, crewing and technical management
- > Localisation is top of the agenda in many of our markets and we are focusing on localising our offering through localisation of crew, co-investment with local entities and engagement and support of local communities
- > The importance of our strong QHSSE record cannot be overstated and safe service delivery is our licence to be in this business
- > As a customer-focused organisation, a proactive commercial sphere that is appropriately resourced, organised and automated is also of the utmost importance to the realisation of our goals
- > Our IT organisation must be a business enabler in a world increasingly driven by connectivity, mobility and big data

DIVERSIFY OUR STRATEGIC PORTFOLIO

- > Increasing the quality of our earnings by diversifying our portfolio geographically, by entering new asset segments and through services
- > Staying true to our core offering is vital and any addition of new asset segments and services would be subject to stringent tests for adjacency and complementarity to our core capabilities
- > We pursue scale positions in our markets in order to reduce downside volatility and to achieve improved economies
- > We aim to renew our subsea fleet with potential for added-value services
- > M&A remains in our toolbox to expand fleet, quickly achieve scale positions and acquire operating capabilities

EXPAND, RENEW AND REALIGN THE OSV FLEET

- > We intend to expand our fleet both through the construction of new tonnage and selective acquisitions when opportunities present themselves, and we will continue to implement a policy of focusing on the rate of return on assets with respect to all our operations and future investments
- > Through these new vessel acquisitions we will continue our focus on maintaining a modern fleet of vessels with an average age well below the global average in the industry
- > We also intend to optimise the fleet with strategic divestments of ageing and non-core vessels in order to realign our fleet to focus on mid to high-end OSVs, predominantly in the AHTSV, PSV, MPSV and ERRV segments, which are more versatile and can address a wider range of our clients' needs

More information about how we best manage our principal risks to allow us to focus on our strategic priorities 16 ►

01

IMPROVE EXECUTION

More information on **KPI** 14-15 ►

PROGRESS 2014	PRIORITIES 2015	MEASURES USED
> High and stable core fleet utilisation at 89.3% > Safety performance consistently strong with zero fatalities and one Lost Time Injury > Second annual safety culture survey launched > Continuation of crew training and competency programmes > Commercial teams strengthened	> Implementation of fleet-wide planned maintenance software suite > Centralisation and enhancement of technical projects capabilities > Improvements in our commercial capabilities through enhancements in customer relationship management and systems > Consolidation of oversight of marine standards and assurances to a corporate level > Investment in enhanced crew development through simulator training, in partnership with leading global maritime training provider	> Return on net assets (RONA) KPI > EBITDA KPI > EBITDA margin KPI > Lost Time Injury frequency KPI > Core fleet utilisation KPI > Cost of sales

02

EXPAND, RENEW AND REALIGN THE OSV FLEET

PROGRESS 2014	PRIORITIES 2015	MEASURES USED
> Addition of six new vessels to our fleet > Exercising our options to buy six vessels previously operated on bareboat charter at attractive terms > Divestment of two non-core or ageing assets > Maintained the average age of our core fleet at approximately seven years	> Establishing a new build programme > Acquiring assets from distressed situations at below market value > Focusing on fleet renewal for medium to large AHSTVs and light subsea vessels > Divesting a further two to three non-core vessels	> Return on net assets (RONA) KPI > Core fleet growth > Average age of core fleet

03

DIVERSIFY OUR STRATEGIC PORTFOLIO

PROGRESS 2014	PRIORITIES 2015	MEASURES USED
> West Africa operations continued to grow strongly with the deployment of five new-build PSVs > Three vessels deployed in Turkmenistan throughout the year, representing a re-entry into this important and growing market > Foundation laid for important strategic partnerships in Nigeria and Angola	> Scale our existing position in West Africa through finalising legal registrations in Angola and Nigeria and winning medium- and long-term work > Expand our reach in MENA market in Saudi, Abu Dhabi and North Africa > Explore opportunities for small-scale “buy and build M&A” to enter new markets, add services or consolidate positions	> Revenue KPI > Growth from new markets > Growth from new clients > Diversity of global portfolio

04

MAINTAIN A PRUDENT FINANCIAL POLICY WITH STRONG FUNDING CAPABILITY

PROGRESS 2014	PRIORITIES 2015	MEASURES USED
> US\$75 million private equity investment in Topaz by Standard Chartered Private Equity (SCPE) > By conducting detailed monthly financial and operational vessel level reviews with corporate and regional management involvement, we achieved material reductions in our operating expenditure	> Senior secured debt refinancing in progress with objective to extend the loan tenor and reduce the interest cost > We will aim to further consolidate our banking group to a small number of relationship banks > We will continue our cost reductions through further improvement of operational efficiencies	> Return on equity (ROE) KPI > Weighted average cost of capital > Interest cost > Covenant headroom

OUR KPIs AND PERFORMANCE

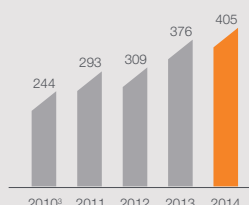
We use a mix of financial and operational key performance indicators to assess our performance against our overall strategic priorities.

STRATEGIC PRIORITIES



FINANCIAL KPIs

REVENUE (US\$M)



VARIANCE 2014
OVER 2013

+7.2%

WHY WE HAVE CHOSEN THIS MEASURE

- > To monitor the level of operating activity and growth of the business.

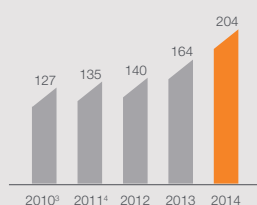
HOW WE HAVE PERFORMED

- > Topaz expanded its core fleet and maintained a high and stable utilisation to deliver healthy top line growth.

Link to strategic priority

03

EBITDA (US\$M)



VARIANCE 2014
OVER 2013

+24.4%

WHY WE HAVE CHOSEN THIS MEASURE

- > To monitor the operating profitability of the business.

HOW WE HAVE PERFORMED

- > The sharp growth in EBITDA was driven by fleet expansion and acquiring previously bareboat vessels.

Link to strategic priority

01

EBITDA MARGIN (%)



VARIANCE 2014
OVER 2013

+7.0ppt

WHY WE HAVE CHOSEN THIS MEASURE

- > To measure how efficiently we convert revenue into EBITDA.

HOW WE HAVE PERFORMED

- > EBITDA margin improvement was driven primarily by acquiring bareboat vessels and adding higher-specification vessels to our fleet.

Link to strategic priority

01

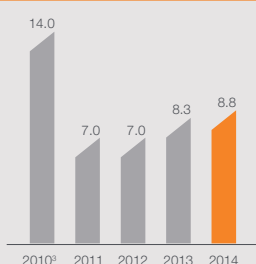
³ For Topaz Marine only.

⁴ Adjusted 2011 EBITDA of US\$135 million is calculated as unadjusted 2011 EBITDA of US\$121 million plus one-off costs: IPO costs of US\$8.1 million, unamortised arrangement fee of US\$1.8 million, provision against a tax claim of US\$1.9 million, and impairment of receivables of US\$1.8 million.

⁵ Net profit/Total equity.

⁶ NOPAT/fixed assets + net working capital.

OPERATING KPIs

RETURN ON EQUITY⁵VARIANCE 2014
OVER 2013

+0.5ppt

WHY WE HAVE CHOSEN
THIS MEASURE

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

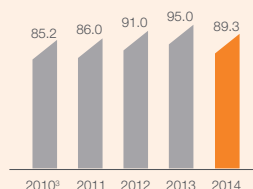
Link to
strategic
priority

04

HOW WE HAVE
PERFORMED

- > Our new investments have yielded improved ROE.

CORE FLEET UTILISATION

VARIANCE 2014
OVER 2013

-5.7ppt

WHY WE HAVE CHOSEN
THIS MEASURE

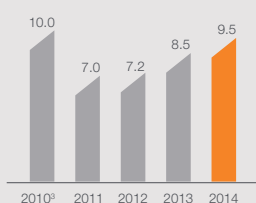
- > To measure the average operational uptime of our core fleet.

Link to
strategic
priority

01

HOW WE HAVE
PERFORMED

- > Reduction driven mainly by delays of the Shah Deniz-2 Project and the ebola outbreak in West Africa.

RETURN ON NET ASSETS (%)⁶VARIANCE 2014
OVER 2013

+1.0ppt

WHY WE HAVE CHOSEN
THIS MEASURE

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

Link to
strategic
priority

01

02

HOW WE HAVE
PERFORMED

- > Our new investments have performed very well, thereby improving the RONA performance of the entire fleet.

LOST TIME INJURY FREQUENCY (LTI⁷)VARIANCE 2014
OVER 2013

+0.21

WHY WE HAVE CHOSEN
THIS MEASURE

- > To measure our safety performance.

Link to
strategic
priority

01

HOW WE HAVE
PERFORMED

- > In spite of one LTI incurred during the year, Topaz delivered a robust safety performance, beating international benchmarks.

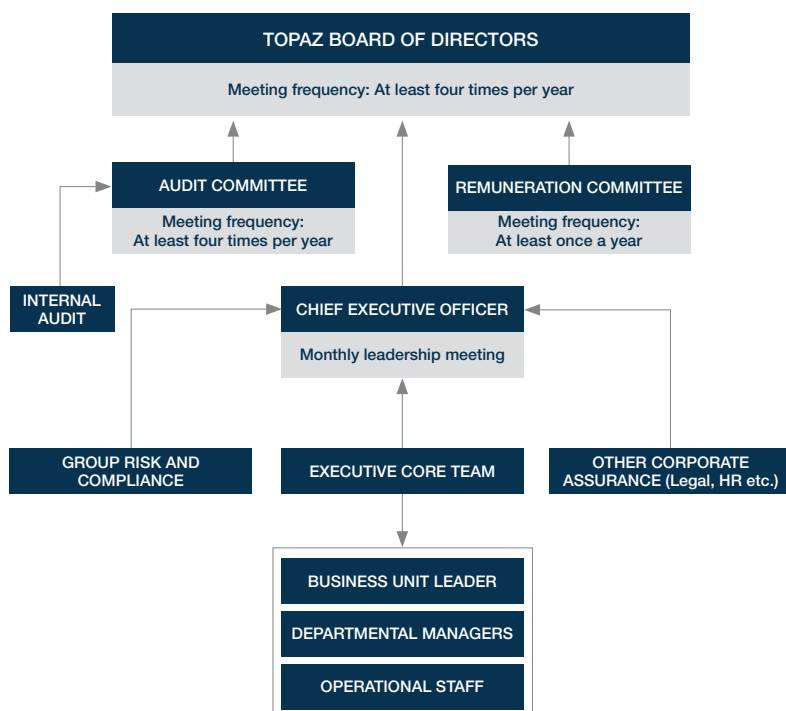
Risk is an inherent component of Topaz's business activities. The ability to effectively identify, assess, measure, respond to, monitor and report on risk in our business activities is critical to the achievement of Topaz's vision and strategic objectives.

HOW WE MANAGE OUR RISKS

To help accomplish this mission, Topaz utilises an Enterprise-wide 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.

OUR CORPORATE GOVERNANCE STRUCTURE

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



Information about our key internal control procedures can be found in the Corporate Governance section on page 47 ►

NEW COUNTRY ENTRY RISK

Before entering into a new country, our functional teams manage the associated customer, country, political, legal and operational risks through a robust country entry process.

New country entry risk is managed by functional and operations teams who gather intelligence through local content service providers about local regulations and dynamics. Functional heads, including QHSSE, finance and legal, research local knowledge and consolidate information on how to manage market, financial, liquidity and legal risks. Efficient legal and operating structures are discussed with professional lawyers and advisors to mitigate any legal set-up and tax exposure risks.

At the same time, the Corporate Management team analyses and identifies potential JV partners, if not already done, who could be Topaz's local partner to provide in-country knowledge and expertise.

Once the necessary planning has been completed, the Regional Director responsible for that country spearheads the execution along with the functional heads and local JV partner to set up the company in the new country as per the agreed processes.

YEAR-ON-YEAR
CHANGE IN RISK PROFILE
 Increase
  Stable

NATURE OF RISK	POTENTIAL IMPACT	KEY CONTROLS AND MITIGATION STRATEGIES
----------------	------------------	--

 INDUSTRY RISK

Topaz primarily provides services and products to clients in the upstream oil and gas industry. Topaz's revenue depends on the level of expenditure by that industry on exploration, development and production, which may be volatile due to many factors, including oil prices, and is beyond the Group's control.

Any decline in expenditures by the oil and gas industry may result in decreased demand for Topaz's services, which may result in a material adverse effect on the Group's business, operational results, financial condition and prospects.

Topaz's exposure to industry expenditure is effectively diversified among a large number of clients, sectors and geographies. Many of Topaz's clients are NOCs that, to a large extent, continue to invest through market down cycles. Furthermore, many of Topaz's long-term contracts straddle business cycles and therefore smoothen the impact of short-term volatility. Topaz's operations are also tied in to stable development and production phases rather than the more volatile exploration phase.

 FINANCING / LIQUIDITY RISK

The Group requires significant funding to finance capital expenditure to support the continued growth of its business and hence has an asset-hungry model with a high cost of ownership. The Group'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, many of which are beyond Topaz's control.

An inability to obtain sufficient financing on reasonable terms, or at all, may prevent the Group from effectively pursuing its growth strategy, which may have a material adverse effect on the Group's business, operational results, financial condition and prospects.

Topaz has established relationships with a number of local and international banks and has raised different forms of project financing, such as conventional shipping loans, Islamic loans and export credit financing, in addition to accessing the public bond markets. This diversified lender base helps mitigate any future financing risk. The risk is also mitigated by long-term charter of vessels, longer tenor of term debt and cash flows, mostly in US Dollars. Currency risk is mitigated by hedging 100% of the estimated foreign currency exposure in respect of its forecast capital commitments. Topaz uses forward currency contracts to hedge its currency risk.

 HEALTH, SAFETY AND ENVIRONMENTAL 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.

Any health, safety or environmental accident in which the Group is involved could result in significant reputational damage and have a material adverse effect on the Group's operational results, financial condition and prospects.

Topaz operates an integrated management system in compliance with industry and regulatory requirements. Topaz continuously invests in training its frontline staff and reinforcing its safety culture. The Company is appropriately insured against financial losses associated with HSE incidents.

 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.

Any of the risks described could have a material adverse effect on Topaz's business, operational results, financial condition and prospects.

Topaz monitors the changing landscape of political risk, particularly for countries regarded as high political risk environments. The Company operates in numerous markets and through this diversified presence the Company is less exposed to any one market or region. The Company continuously strives to achieve high proportions of local staff, thereby further entrenching the Company's local presence and acceptance, besides dealing with IOCs and NOCs.

 OPERATING RISK

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

Non-availability of efficient and skilled crew or timely support of its vendors and supplies could have a material adverse effect on the Group's operations.

Topaz focuses on active crew competency through a crew recruitment, training and competency assurance programme. The Company also has a strong knowledge of local regulations and standardised framework agreements with vendors to plan and stock major supplies in order to operate effectively.

We focus on three key areas to ensure we achieve our vision in a sustainable way

“Our reputation for working in a responsible and sustainable way helps us attract the best people, win and keep clients and grow our business in target markets.”



THE BUSINESS CASE

Our ability to think and act for the long term has always been at the forefront of our mind. We know that our reputation for working in a responsible, safe and sustainable way helps us attract the best people, win and keep clients and grow our business in target markets.

This ethos becomes even more imperative as we move into our next growth phase, as we can only achieve our strategic plans if we have strong business principles and values in place. Our strategic priority to improve execution, for example, spans both financial and non-financial business disciplines. In essence we cannot be successful in one without the other.

OUR PRIORITY FOCUS AREAS

We focus on three distinct sustainability areas – QHSSE, People and Communities – and we report on these separately in this section. In practice, however, these areas overlap, making our overall approach stronger. For example, embedding a safety culture is as much about people management and career development as it is about safety statistics. It is also a customer priority. Our safety performance was strong in 2014, but our LTIF fell for the first time in two years, acting as a reminder that our safety standards and culture cannot be taken for granted.

Much has been done recently to improve our HR processes and practices. We have developed the “Topaz Way” and articulated clear employee and customer value propositions, which set out our commitments to two key sets of stakeholders. These also facilitate our ability to communicate this important information across the business. We have also focused on developing programmes to reward our employees fairly for their performance and establishing more transparent methods to ensure we fill competence gaps through effective training.

Our localisation programmes, a pre-requisite in certain jurisdictions, ensure we employ local people and use local suppliers. We see this as good business sense and also a way of enhancing our reputation as an employer of choice in target markets. Our recent collaboration with a leading university cements our commitment to promoting careers and opportunities in the Saudi marine sector.

Our vision is to become “The Global Local quality champion” and a top five OSV with profitability in the top quartile. Our focus on and investment in running our business sustainably is integral to our ability to attain this.

1 Absolute focus on Quality, Health, Safety, Security and Environment (QHSSE)

“Quality, Health, Safety, Security and Environmental (QHSSE) standards are central to Topaz’s operational activities, its delivery of quality and business excellence and its ability to implement its strategy.”

Ian Trebinski, Head of QHSSE

The Topaz Installer team in their personal protective equipment prior to an “Abandon Ship” drill.



OUR QHSSE ETHOS

Topaz places great importance on the pursuit of QHSSE excellence throughout the organisation and believes high QHSSE standards underpin the Company’s reputation, client relationships and ability to implement its strategy effectively. Topaz’s strong track record in these areas is recognised internally and externally as a competitive advantage.

HOW WE MANAGE QHSSE

Topaz Energy and Marine’s Head of QHSSE reports to the Chief Operating Officer and is supported by a local QHSSE team in each of the business’ operating regions.

CHIEF OPERATING OFFICER

HEAD OF QHSSE

LOCAL
QHSSE
TEAM
CASPIAN

LOCAL
QHSSE
TEAM
MENA

LOCAL
QHSSE
TEAM
AFRICA

LOCAL
QHSSE
TEAM
SUBSEA

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 which relate 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. It is also an essential step forward in ensuring a level playing field for ship owners who, until MLC’s adoption, had paid the price of being undercut by owners who operated substandard ships;
- > Multiple ISO standards such as 9001 (Quality), 14001 (Environmental) and OHSAS 18001 (Occupational Health and Safety).

Topaz has historically undergone annual external audits of its compliance with the standards referred to above. Topaz’s QHSSE teams also carry out relevant internal audits on a regular basis.

QHSSE PERFORMANCE LINKED TO STRATEGIC FOCUS

A key factor behind Topaz’s strong QHSSE performance is its strategic focus on deploying a younger fleet, with an average vessel age significantly lower than the industry average. By operating more modern and better-functioning vessels and equipment we are less likely to experience technical issues than with substantially older equipment. This commitment to high quality is at the heart of Topaz’s strategic ambitions and has a positive impact on our QHSSE drive and resulting performance.

QHSSE STEWARDSHIP

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. In addition, in 2014 our Head of QHSSE was elected by industry peers onto the committee of the IMCA Middle East and India Section, now allowing Topaz to participate directly in the core meetings of the Safety, Environment and Legislation (SEL) Committee.

2015 CORPORATE QHSSE PRIORITIES

The top priority for 2015 is to return to an LTI-free position. Topaz aims to provide an injury-free workplace for all employees as a key fundamental to promoting safe and continuous operations, and our LTI frequency reflects our achievement of this goal. After almost two years as an LTI-free operator, Topaz unfortunately incurred its first lost time incident in December 2014 and it is now imperative to focus on the causes of this incident and apply the Lessons Learnt in order to further enhance the safety of our operations and work places.

Following the successful ISO and OHSAS certification of all operating regions in the three key standards – 9001, 14001 and 18001 – we now plan to elevate these standards and associated benefits to the corporate level. This will ensure that Topaz is continually monitoring, improving and redesigning the necessary processes and systems, at the very highest levels, to deliver the quality of service that our clients expect.

SUSTAINABILITY CONTINUED

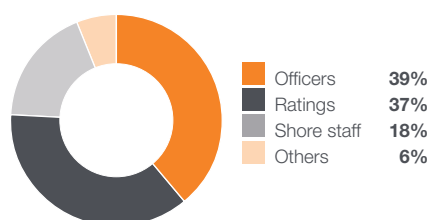
The second half of 2015 will see Topaz's integrated software management suite – NS5 – come online. NS5 will deliver a fully-integrated solution for QHSSE, planned maintenance, dry-docking management and procurement operations from a single platform that will be available on board every core vessel and within each operating office. This will provide Topaz with a holistic overview of key operational aspects and their impacts on, or interactions with, QHSSE performance, whilst reducing administration and freeing up resources to focus more on the physical delivery of operational performance and management.

Finally, we aim to build upon the successes and learnings from our latest Safety Culture Survey. 2014 was the second year in which Topaz ran this survey, and following its debut in 2013 the Company listened to and acted upon employee feedback and made some changes to the process and the survey itself. The value of the proposed changes was readily apparent from the high overall response rate of 70% of all employees. The number of free-text comments and feedback increased, and the most valuable of these have been published and answered within the report circulated to all employees.

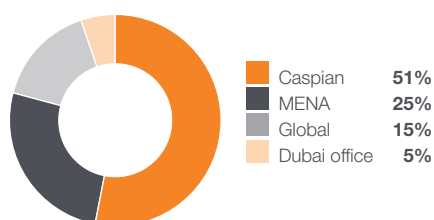
With two years' worth of data, Topaz is now able to begin comparing responses year on year, and gain insight into where the organisation stands on the Safety Culture Ladder and understand how its safety culture is developing. We fully intend to build upon the latest results, delivering improved solutions to engage and empower all employees in our QHSSE approach and endeavour to return to an LTI-free position.

2014 SAFETY CULTURE SURVEY RESPONSE RATES

RESPONSES BY RANK OR ROLE



RESPONSES BY REGION



TOPAZ ENERGY AND MARINE QHSSE PERFORMANCE

Topaz measures its QHSSE performance against set targets in several key indicators as set out below:

KPI	Our target	Industry benchmark	Our performance in 2012	Our performance in 2013	Our performance in 2014	Variance 2014 over 2013
FATAL ACCIDENT RATE The number of fatal incidents per 100 million Man Hours	Zero	0.69	Zero	Zero	Zero	+/- 0.0
LOST TIME INCIDENT FREQUENCY The number of injuries resulting in lost time incidents (LTIs) from work per one million Man Hours	Zero	0.37	0.81	Zero	0.21	+ 0.21
ENVIRONMENTAL INCIDENT FREQUENCY The number of incidents resulting in environmental impact per one million Man Hours	Zero	0.68	0.53	0.73	Zero	-0.73
TOTAL RECORDABLE CASE FREQUENCY The total number of injuries and illnesses (not First Aid cases), incurred by the Company, per one million Man Hours	< 1.4	1.47	1.61	1.22	1.90	+0.68
PRO-ACTIVE RECORDABLE CASE FREQUENCY The number of safety observations and near misses reported across the Company, per 200,000 Man Hours	>700	313.4	1,830	1,836	1,126	-710

2 Developing our people

We strive hard to keep our employees happy so they can perform to the best of their ability and make a positive impact on Topaz's wider group of stakeholders.

“We recognise that our people are key to our ability to achieve our strategic vision; we need to offer them greater value and personal growth, beyond salary and benefits.”

Ealbra Moradkhan, HR Director



RECOGNISING OUR EMPLOYEES AS A COMPETITIVE STRENGTH

We know that the quality of our people is a competitive strength; our customers tell us so. They appreciate the higher than average capability of our crews to deliver a quality and safe service. As we enter our next stage of strategic growth we need to ensure we have a stable, well-trained and motivated workforce who are committed, able and enthusiastic about the challenges and opportunities we face. In order to achieve this, in recent years we have focused our attention on building upon our existing HR policies, systems and programmes. In this section we outline some of our key HR initiatives and ongoing developments.

EMBEDDING AND REWARDING A STRONG PERFORMANCE CULTURE

The Topaz Performance Management Policy

The Topaz Performance Management Policy aims to encourage and drive a performance culture to support both the Company and each individual's growth. It also creates a performance culture that gives employees a clear sense of purpose, spells out what is expected of them, and maximises their contribution to the organisation's success.

Our Performance Management System

We have developed an objective and transparent performance review system to ensure that we reward our employees fairly for the contribution they make to our business. Based upon existing systems and designed by our in-house team, our system has been endorsed by reputable external HR consultants whom we invited to independently review it. The Topaz Performance Management Dashboard went live for all

onshore employees at the end of 2013 and provides a simplified platform for managers to review past performance and set future goals, improving our employees' understanding of what is expected of them and reinforcing our commitment to career development and performance-related remuneration.

In 2014 we rolled out the performance dashboard.

The Performance Management Dashboard consists of five sections:

Previous year's goals

Competencies

Personal development

Career planning

Next year's goals

The Topaz Employee Value Proposition

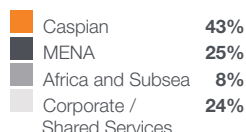
Following a number of workgroups held with employees from various locations across Topaz, we launched the Topaz Employee Value Proposition (EVP) at the end of 2013. Its purpose is to balance the benefits and rewards to our employees, through a combined package of financial and non-financial benefits and commitments, in return for the contribution they make and value they add to the organisation through their skills, capabilities and performance. Primarily developed for our existing employees, the EVP also reinforces Topaz's external image and underpins its aim to attract, retain and develop the best talent in the industry.

The Topaz Employee Value Proposition

As an employee within the Topaz family you can count on us providing:

- > A consistent, dynamic leadership with clearly defined strategies and accountabilities
- > A strong commitment to your safety through a best-in-class safety management system and practices
- > An open working environment that encourages sharing of new ideas as well as challenges on the way of achieving the strategy and the “Topaz Way”
- > A merit-based performance culture with solid career opportunities, caring for individual success and growth
- > An environment of recognition and well-being with consciousness of cultural differences and respect for the individual

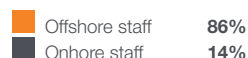
**ONSHORE STAFF
BY OPERATING REGION**



**OFFSHORE STAFF
BY OPERATING REGION**



ALL EMPLOYEES



KEEPING STANDARDS HIGH

Competence Assurance Programme

In 2014, we piloted our Competence Assurance Programme testing its usability on selected vessels, before we roll it out to the rest of the fleet. The Competence Assurance Programme's purpose is twofold:

- > To provide a mechanism to ensure our employees have all the necessary skills and knowledge to carry out their duties on board safely and competently. Having a formal assessment process also allows us to demonstrate the competence of our workforce to our clients and other industry bodies
- > To have clearly defined competence standards for each rank, which provides our crews with a clear view of what skills and knowledge they need to fulfil their current role and more senior roles. This facilitates appropriate and relevant training, development and career planning.

Our competence standards are split into "core" and "key" competences. Core competences are the minimum skills, knowledge and abilities that are essential to each role regardless of the type of vessel worked on (e.g. Safety Awareness and Management, Emergency Response, Communication and Personal Skills). Key competences are relevant to certain types of vessel activity, such as DP Operations, Anchor Handling and Cable Laying. Crew members will be assessed against each relevant standard by a trained Competence Assessor. Using various methods of assessment the Assessor will either judge the crew member to be competent, or will identify any competence gaps and recommend appropriate remedial action, for example, training or mentoring.

MLC 2006: The Seafarers' Bill of Rights

The Maritime Labour Convention ("MLC 2006") came into force on 20 August 2013 and sets out minimum standards governing the working and living conditions of seafarers. The regulations of the Convention are given effect through the national laws and regulations of ratifying member states and, therefore, compliance is mandatory on vessels which are flagged in those countries. However, ships flagged with non-ratifying countries will also have to comply with the minimum requirements when calling at ports of ratifying countries. All our vessels flagged with ratifying countries hold MLC compliance certificates.

As part of our Competence Assurance Programme we are making significant investment in crew training throughout 2015. Crew skills and abilities will be enhanced via various training methods, including:

Simulator training – using sophisticated maritime simulators our crew will develop the skills required for our complex operations, such as anchor handling, towing operations or rig moves, and will be prepared for abnormal situations, such as emergencies or equipment failures

Computer Based training – an extensive library of online courses will be delivered on board the vessels, and learning will be reinforced with assessments and practical exercises and drills

Classroom based training – the Company is following a programme of Train the Trainer courses which allows our onshore staff to pass on training to crew whenever they visit our offices or when the Trainers visit the vessels.

By implementing our Training and Competence programmes we will ensure our crew have all the knowledge, skills and abilities to carry out their roles safely and effectively on board. A competent workforce helps to keep everyone safe on board, ensure sustainability of our operations, and maintain the high standard of skills and expertise required in our industry.

DEVELOPING PRIDE AND LOYALTY ACROSS TOPAZ

In 2014 we started our Pride and Loyalty programme, an ongoing scheme with different projects running each year designed to target elements of employee engagement, such as shared values and job satisfaction. The priority in 2014 was to ensure that the "Topaz Way" was promoted effectively throughout the fleet and embedded in daily life on board. Calendars were produced displaying the various messages of the "Topaz Way", and the new Employee Value Proposition and Customer Value Proposition. With the aim of improving engagement and working relationships with senior officers, we set up seminars which involved them in shaping business goals for the future.

The Competence Assurance Programme also contributes to the Pride and Loyalty programme, as we involved the sea staff in its development and they have contributed actively to the pilot programme. The Competence Assurance Programme represents a significant investment in their training and development.

More information on the "Topaz Way" Corporate governance 47 ►

FUTURE HR DEVELOPMENTS

In 2015, our HR aims are to:

- > Enhance crew training and development programme using various sophisticated maritime training solutions
- > Continue implementation of Competence Assurance Programme across Topaz
- > Roll out a structured trainee and internship programme
- > Continue to implement pride and loyalty initiatives across the organisation

3 Supporting our communities

Topaz takes great pride in being a responsible corporate citizen and positively influencing the communities in which we operate. Our commitment includes partnering with local education providers, increasing the level of local recruitment and supporting meaningful and worthwhile charities.

Cadets and trainees along with Faculty of Maritime Studies staff of the King Abdul Aziz University with Country Manager, Mr. Willem de Vries.



PARTNERING WITH LOCAL EDUCATION PROVIDERS

In February 2015, we announced our formal involvement, via our Topaz office in Al Khobar, with the Faculty of Maritime Studies at the King Abdul Aziz University in the Kingdom of Saudi Arabia. Through this partnership, we aim to make a significant contribution to the development of Saudi Arabia's maritime potential.

We are working with cadets from the university during their "sea-training" period, a mandatory requirement for all cadets in a Bachelor of Science programme, which allows them to operate as officers on board sea-going vessels. The King Abdul Aziz University is fully accredited by the Kingdom's Ministry of Transport, which ensures that all maritime training programmes meet the standards of the International Maritime Organization (IMO). The certificates and subsequent licences to work issued by the University will be acknowledged internationally, resulting in job security for Saudi seafarers both at home and abroad.

As part of the programme, Topaz has initiated a "Maritime Introduction Week", which introduces young Saudis to life at sea on board Topaz vessels and also gives graduates the opportunity to elect for Topaz to train them professionally in close cooperation with the University and enrol them as professional seafarers on board the Topaz fleet.

Topaz has also started intensive training programmes for its Saudi seafarers at the University, enabling them to be accredited with the highest international maritime industry standards and to take full advantage of future career opportunities in the offshore maritime industry.

BOOSTING OUR LOCAL CONTENT

In certain areas of operation we are required to fulfil targets with regard to the percentage of local nationals that we employ. We work with our clients to demonstrate our progress against this requirement. At a more strategic level we consider the localisation of employees and suppliers as a positive move as it boosts our local presence in our areas of operation and improves our local knowledge and ability to grow.

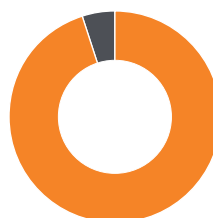
In one of our target countries, Azerbaijan, we are making good progress towards our milestone targets. At the end of 2014 our percentage of third-party local expenditure was 71% (against a target of 65%); 95% of our professional (management level) crew were local (against a target of 95%) and 92% of our total crew were local (against a target of 95%).

SUPPORTING SEAFARERS AROUND THE WORLD

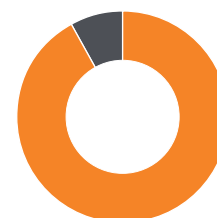
With strong roots in the marine industry and many mariners and ex-mariners among our employees, we continue to support the "Mission to Seafarers" charity. Founded in England in 1856, and operating in the Gulf since 1962, this organisation works to improve the quality of seafarers' lives and Topaz has sponsored one of its main initiatives, the purpose-built Flying Angel seafarer support vessel, since 2009.

Still the only seafarers' support vessel of its kind, the Flying Angel visits over five vessels and welcomes over 75 seafarers on board daily, providing them with basic amenities, such as satellite phones and Internet access, an on-board library and chaplain services. Topaz's sponsorship helps fund the Flying Angel's running and maintenance costs. In 2014, Topaz contributed US\$69,000 to this project.

LOCALISATION OF PROFESSIONAL* CREW IN AZERBAIJAN 2014



LOCALISATION OF TOTAL CREW IN AZERBAIJAN 2014



*Professional crew means Officers or those with graduate and / or professional qualifications such as Masters, Marine or Technical Advisors, Chief Engineers (also 2nd or 3rd Engineers), Electrical Engineers, Interpreters and AMA.

Our Chief Executive Officer, René Kofod-Olsen, reflects on Topaz's progress during 2014 and speaks about the Company's medium- and long-term strategy for growth.



REVENUE (US\$M)

405 +7%

2013 / 377

EBITDA (US\$M)

204 +25%

2013 / 163

NET PROFIT (US\$M)

52 +16%

(2013 / 45)

Q: CAN YOU GIVE US YOUR PERSPECTIVE ON THE 2014 RESULTS?

A: 2014 was another year of strong growth and margin expansion, driven by investments in new vessels and our disciplined cost control. Our fleet increased by six vessels during 2014, the majority of them in West Africa. This lifted revenue by 7% to US\$405 million, EBITDA by 25% to US\$204 million and net profit by 16% to US\$52 million. Our operating margin was solid and we improved our return on net assets. Our core fleet utilisation was 89%.

The Company also converted six purchase options for vessels, previously on bareboat charters, which contributed to the sharp increase in EBITDA margin. The vessels were acquired at attractive rates and we now own all 98 vessels in our fleet outright.

Notably we secured new equity investment of US\$75 million from Standard Chartered Private Equity to fund an acceleration of our longer-term strategic growth plans.

We grew our business in West Africa considerably during the year and made great strides in establishing local partnerships in Nigeria and Angola that set us up well for the future.

Our commitment to running our business safely for our employees and customers remains a top priority. Our operational teams have worked hard during the year to reinforce our safety culture and implement new safety measures. Our target of operating an injury-free business remains in place.

At the start of 2014, the market was largely supportive. However, the second half of the year proved to be challenging with a gradual but distinct softening of the market as a result of the falling oil price. The major oil and gas companies reacted by refocusing strictly on cost containment and capital discipline. This weak market environment persisted into 2015.

More information 26-31 ►

Q: HOW HAS THE FALLING OIL PRICE AFFECTED TOPAZ AND HAS IT CHANGED THE OSV INDUSTRY?

A: Our medium- to long-term contracting model and resulting revenue backlog are vital in a market downturn. They provide a certain degree of protection from the short-term pressures of the spot market and provide cash flow visibility. However, the OSV market will be under pressure in 2015 as a result of lower offshore activity and, despite our relative resilience, we expect our business to be impacted as well, particularly in Africa.

However, even in the face of significant short-term pressure on fleet utilisation and day rates, we firmly believe that the fundamentals of the offshore oil and gas industry remain constant. The longer-term outlook is solid, driven by growing demand for oil and gas, a continuous depletion of existing reserves and an annual decline in production of around 3-4 million barrels per day. According to the International Energy Agency (IEA), approximately 25% of the required oil production in 2020 has not yet been found or developed. For 2030, that figure rises to 50%. Offshore oil production will gradually take a greater proportion of total production. Even if this trend may be temporarily halted by developments in US shale, these market dynamics translate into a stable and growing demand for OSV services.

Q: WHAT ARE THE OPPORTUNITIES ARISING FROM THE CURRENT OIL PRICE CRISIS?

A: Predictably we have already seen, and will continue to see, opportunities to acquire individual assets from the market at competitive or even distressed levels. We also believe that a new-build programme in certain select classes of vessels makes sense and can currently be achieved at attractive prices.

In terms of corporate activity, the global OSV market remains fragmented and so we expect a certain degree of market consolidation to take place, as indeed has already happened in 2014. We are not averse to taking part in such consolidation if the right opportunity presents itself. However, because of our disciplined approach to capital deployment, our focus on generating sustainable returns for our investors and the importance we place on staying true to our Company culture, we are by nature highly selective in the prospects we pursue.

More information 10-11 ►

Q: WHAT IS TOPAZ'S STRATEGY AND IS IT WORKING?

A: In short, our strategy is to diversify our geographical base by building scale positions in select markets, whilst creating in-country value and strengthening our portfolio with more added-value services. This entails deploying capital in a disciplined fashion in targeted vessel class segments to build and maintain a world-leading OSV fleet and also to divest non-core and ageing assets.

Our headline strategy was crafted in 2012 and is underpinned by our vision that Topaz will be the global local quality champion and a top five OSV player with profitability in the top quartile. Importantly, we must not forget that the foundation for our strategic delivery is the maintenance of the highest level of operating and QHSSE standards.

During 2014, we commissioned a strategy review conducted by Boston Consulting Group (BCG) with the purpose of challenging the rigour of our strategic plan. The BCG exercise confirmed the viability of our strategic roadmap and helped us create a detailed execution plan for the medium term. We are making satisfactory progress against this plan in spite of the very challenging market conditions.

More information 12-13 ►



The 79-metre, 4,000 deadweight tonnage DP2 Platform Supply Vessel, Caspian Voyager is the largest PSV in the Topaz fleet and the largest PSV operating in the Caspian Sea. Acquired by Topaz in 2014, the Caspian Voyager provides essential offshore support services for a large IOC in Azerbaijan.

STRATEGIC PRIORITIES



“Even in the face of significant short-term pressure on fleet utilisation and day rates, we firmly believe that the fundamentals of the offshore oil and gas industry remain constant.”

NEW CAPITAL (US\$M)

75 million

Q: HOW IMPORTANT IS YOUR CAPITAL STRUCTURE TO REALISING YOUR STRATEGY?

A: In our highly capital-intensive industry, where growth only comes with deployment of significant capex in OSVs, a balanced and efficient capital structure is an imperative.

We raised our corporate bond at the end of 2013 to take advantage of the non-amortising structure and to enable defined growth traction. In 2014, we welcomed US\$75 million of new capital via Standard Chartered Private Equity. With capital investments made of approximately US\$500 million over the last two years, and acceleration of our growth planned, it was thought prudent to further bolster the balance sheet and remain conservatively geared. Tying great partners to us such as Standard Chartered Private Equity is not only humbling but also very much in line with our capital strategy.

At the end of 2014, our net debt to EBITDA leverage position was 3.6x. We are comfortable with this level, as we have confirmed in our consistent guidance in our quarterly results calls. It is certainly possible that our leverage will temporarily spike as we deploy significant capex with returns materialising only after an average of four to six months. However, on a longer-term basis, 3.5x is our target.

We are currently also in the late stages of refinancing our senior secured debt with the objective of lowering interest costs, increasing the loan tenor and creating a business-friendly covenant package.

Finally, our parent company has been clear about its future intentions for Topaz as an independent public company. An IPO remains an option for us, but only at the right time and at terms that meet the return thresholds of our shareholders.

Q: DO YOU HAVE THE RIGHT MANAGEMENT TEAM AND STRUCTURE IN PLACE?

A: Talented onshore and offshore management is scarce in our industry. It is even harder to recruit and train leaders with the absolute focus and dedication that our culture demands. We are therefore delighted to have succeeded in strengthening our ranks during 2014 in various ways, but in particular through key internal Group leadership appointments: Geoff Taylor, former CEO of Dubai Drydocks, who has accepted the position of Chief Operating Officer, Jay Daga as Chief Financial Officer with 16 years' experience in the Company, and Robert Desai as Director of Strategy and Business Development. These appointments are a solid testament to our organisational breadth and, rest assured, they will continue adding great value through necessary rigour and poise.

As a result of our success in growing our West African franchise, and our strategic intent to renew our Subsea fleet, we recently split our “Global” business unit into two: “Africa” and “Subsea”. Setting up a separate management structure for Africa and Subsea has allowed sufficient focus on both of these important growth segments.

During the year, we invested in building our HR competencies in organisational and talent development. Over time, this will translate into a deeper pool of leaders with the capability to run Topaz in the future. We also further reinforced our performance culture and, as this takes hold, we expect a certain amount of natural attrition.

Our ability, therefore, to identify strong performers within our organisation and ensure they are retained and developed will be key to our strategic success over the longer term. Equally, we must continue to invest in leading-edge training and development of our seafarers, which is vital to our crew retention and high quality of service.

More information 46-49 ►

Q: WHAT ARE YOU EXPECTING IN 2015?

A: Our performance in 2014 was strong. Given the challenging market conditions at the end of 2014, which have continued into 2015, we do not expect to maintain the same rate of growth that we achieved last year. We would expect our full year 2015 financial performance to be relatively flat compared to last year, with the first half being more tested than the second.

Although we believe oil prices are likely to recover gradually, the market could see lower prices over the medium term which would force our clients to reassess their capex plans as investors focus on dividends. For suppliers to the industry, like Topaz, this likely reduction in capex reinforces the need to have the right strategies in place to generate returns in a potentially lower oil price environment. We believe that our strategy is robust enough to achieve adequate returns in such a scenario.

In 2015 we will remain focused on our strategic priorities. We aim to consolidate and scale up our position in West Africa through the important JV partnerships formed during 2014 in Nigeria and Angola. These local joint ventures enable us to move from a reliance on short-term spot contracts to being able to compete for medium- and longer-term contract opportunities. We will always seek to grow our positions in our core markets in Caspian and MENA, where Azerbaijan, Turkmenistan, Saudi Arabia and Abu Dhabi show great promise.

In addition, in 2015 we are rolling out a number of internal projects designed to improve our core operational and commercial delivery. These projects will assist us in becoming closer to our valued clients in order to provide them with a consistent high-quality, cost-efficient and safe service.

In summary, we provide safe and essential OSV services to the oil and gas industry whose long-term market fundamentals are robust. By focusing on our strategic priorities and investing in our core assets – our fleet and our employees – we remain confident of a sustainable long-term future, also in the face of challenging market conditions.



René Kofod-Olsen
Chief Executive Officer



The Topaz Faye (top) and Topaz Isra (bottom) as they sail from the builder's yard en route to West Africa. These are two of the five Platform Supply Vessels acquired in late 2014.

Our results for 2014 demonstrated continued stability and improvement against the same period last year.



Jay Daga, Chief Financial Officer

REVENUE (US\$M)

	3 months ended		12 months ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
Caspian	57.9	57.3	223.5	227.6	(4.1)
MENA	37.6	21.9	100.9	93.7	7.2
Global	20.9	13.9	81.5	59.3	22.2
Less: Adjustments	(0.5)	(0.8)	(1.3)	(4.2)	2.9
Total	115.9	92.3	404.6	376.4	28.2

DIRECT COSTS (US\$M)

	3 months ended		12 months ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
Crew cost	19.4	17.4	77.1	76.6	(0.5)
Technical maintenance	3.9	4.6	19.1	19.5	0.4
Depreciation	18.7	13.3	60.8	55.3	(5.5)
Bareboat charges	2.4	8.5	13.8	34.9	21.1
Others	19.1	11.0	46.5	44.2	(2.3)
Total	63.5	54.8	217.3	230.5	13.2

EBITDA (US\$M)

	3 months ended		12 months ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
Caspian	36.7	28.2	134.0	112.8	21.2
MENA	17.4	10.1	47.0	43.2	3.8
Global	8.3	4.1	33.3	17.1	16.2
Corporate/adjustments	(2.7)	(1.8)	(10.5)	(9.7)	(0.8)
Total	59.7	40.6	203.8	163.4	40.4

REVENUE

Revenue for the period at US\$404.6 million is 7.5% above corresponding revenue of US\$376.4 million in the same period last year. This increase is primarily due to:

- (i) the addition of seven new vessels, including the annualised contribution of one vessel, resulting in an increase of US\$47.8 million
- (ii) better utilisation and increase in vessel day rates, resulting in an increase of US\$7.6 million
- (iii) US\$16.7 million from the sale of two vessels in 2014 against US\$7.2 million realised from vessel sales in the same period last year; and
- (iv) increase in mobilisation revenue of US\$2.1 million on new vessels deployed in the Global region.

The increase in revenue was partially offset by:

- (i) a US\$6.4 million loss of revenue due to a delay in the start of the Shah Deniz-2 Project in Azerbaijan
- (ii) a revenue loss of US\$7.9 million due to challenges relating to the ebola outbreak in West Africa, resulting in lower utilisation of spot vessels
- (iii) loss of revenue due to vessels in dry-docks or off-hire of US\$15.8 million; and
- (iv) US\$8.7 million loss of charter revenue due to vessels sold during the period.

SEGMENTAL REPORTING 2014

In early 2015 we reorganised our operating structure into four segments by splitting our Global segment into two new segments: Africa and Subsea.

In future, we will be reporting our numbers by the four following geographical segments: Caspian, MENA, Africa and Subsea.

However, since this new structure was not applicable in 2014, in this year's Annual Report, the Financial Statements are reported in three segments: Caspian, MENA and Global.

GEOGRAPHICAL SEGMENTS – REVENUE

Caspian

During the period, revenue decreased by US\$4.1 million, or 1.9%, to US\$217.3 million compared to US\$227.6 million during the same period last year. Revenue increased following the deployment of two vessels including the annualised contribution of US\$17.4 million from one vessel and better utilisation resulting in an increase of US\$3.0 million. The increase in revenue was offset by a loss of revenue from two vessels due to a delay in the start of the Shah Deniz-2 Project of US\$6.4 million; loss of US\$3.1 million revenue due to vessels being in dry-dock; lower utilisation of three vessels resulting in a loss of revenue of US\$3.5 million; and an additional US\$11.7 million loss of revenue due to the sale of vessels (sale value: US\$5.9 million and charter revenue: US\$5.8 million).

MENA

During the period, revenue increased by US\$7.2 million, or 7.7%, to US\$100.9 million compared to US\$93.7 million for the same period last year. This increase is primarily due to the sale of one vessel for US\$16.3 million (2013: US\$0.9 million) and improved utilisation of two vessels, which contributed US\$1.1 million. Revenue decreased by US\$2.3 million due to the lower utilisation of four vessels; five vessels in dry-dock reduced revenue by US\$4.6 million; and the loss of charter revenue from a vessel, which had been sold, reduced overall revenue by a further US\$ 2.4 million.

Global

During the period, revenue increased by US\$22.2 million to US\$81.5 million compared to US\$59.3 million for the same period last year. This increase is primarily attributed to five new vessels which were deployed in West Africa and generated US\$30.4 million of revenue; the increase in the day rate of one vessel resulting in an increase in revenue of US\$2.8 million; and additional mobilisation revenue of US\$2.1 million. The increase in revenue was partially offset by a loss of revenue due to lower utilisation of four spot vessels operating in West Africa which resulted in a decrease of US\$7.9 million and the loss of US\$2.3 million of revenue due to two vessels being in dry-dock.

DIRECT COSTS

Direct costs for the period decreased by US\$13.2 million, or 5.7%, to US\$217.3 million compared to US\$230.5 million for the same period last year.

Depreciation increased due to seven new vessels being added to the fleet during the year.

During the period Topaz converted six purchase options for vessels previously on bareboat charters. Two vessels were large anchor-handling vessels operating in the Caspian. The remaining four vessels were acquired in Q4 2014. Topaz now owns all vessels in its fleet outright and, therefore, as of 31 December 2014, is no longer exposed to any bareboat charges.

Other costs include NBV of assets sold of US\$8.7 million in the current year compared to US\$3.1 million for the same period last year.

EBITDA

EBITDA increased by US\$40.4 million, or 24.7%, to US\$203.8 million during the period compared to US\$163.4 million for the same period last year. This increase was primarily due to:

- (i) the addition of seven new vessels including the annualised contribution of one vessel resulting in an increase of US\$34.1 million
- (ii) better utilisation and an increase in vessel day rates resulting in an increase of US\$7.5 million
- (iii) profit from the sale of vessels of US\$6.1 million; and
- (iv) savings in bareboat costs relating to two vessels (as explained above in the Direct Costs section) resulting in an increase in EBITDA of US\$21.1 million.

The increase in EBITDA was partially offset by lower utilisation of some vessels on account of the delayed start of projects, ebola-related challenges in Africa, a dry-dock impact of US\$25.0 million and an additional US\$3.4 million loss of EBITDA due to the sale of a vessel.

GEOGRAPHICAL SEGMENTS – EBITDA

Caspian

EBITDA increased by US\$21.2 million during the period mainly due to the addition of two new vessels, including the annualised contribution of one vessel of US\$12.5 million, savings in bareboat costs from two vessels of US\$20.4 million, and better utilisation on two vessels which generated US\$2.4 million. The EBITDA increase was partially offset by the loss of EBITDA due to a delay in the start of the Shah Deniz-2 Project, which impacted EBITDA by US\$4.0 million, four vessels having lower utilisation, resulting in a reduction of US\$4.2 million, two vessels being in dry-dock, resulting in a reduction of US\$2.9 million and the one-off profit of US\$2.9 million on the sale of a vessel included in last year.

MENA

The increase in EBITDA of US\$3.8 million is primarily due to the US\$7.6 million profit on the sale of one vessel compared to the corresponding loss on sale last year of US\$1.4 million, together with the better utilisation of six vessels which contributed US\$2.4 million. The increase in EBITDA was offset by US\$2.7 million due to the lower utilisation of four vessels, four vessels being in dry-dock with an impact of US\$3.9 million and an additional small impact from the rest of the MENA fleet of US\$1.0 million.

Global

EBITDA for the period increased by US\$16.2 million due to the deployment of five new vessels in West Africa contributing US\$21.6 million, and the improved utilisation of two vessels, which contributed US\$2.7 million. The increase in EBITDA was offset by a loss of US\$5.3 million due to the lower utilisation of four AHTS vessels working in the spot market in West Africa, two vessels being in dry-dock, resulting in a decrease of US\$2.0 million and an increase in other overheads of US\$1.5 million with savings in bareboat charges of US\$0.7 million.

CFO'S 2014 FINANCIAL REVIEW CONTINUED

CASH FLOW (US\$M)

The following table sets out an analysis of cash flow for the year ended 31 December 2014:

	3 months ended		12 months ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
EBITDA	59.7	40.6	203.8	163.4	40.4
Changes in working capital	9.4	12.7	22.3	(0.1)	22.4
Cash generated from operations	69.1	53.3	226.1	163.3	62.8
Cash conversion	116%	131%	111%	100%	
Income tax paid	(5.0)	(3.1)	(17.2)	(13.9)	(3.3)
Interest paid	(27.2)	(10.6)	(62.4)	(38.1)	(24.3)
Net cash generated from operating activities	36.9	39.6	146.5	111.3	35.2
Cash used in investing activities	(68.8)	(113.0)	(298.1)	(165.5)	(132.6)
Cash provided by financing activities	45.6	198.8	43.8	197.4	(153.6)
Increase/(decrease) in cash and cash equivalents	13.7	125.4	(107.8)	143.2	(251.0)

BANK COVENANTS

The following table sets out Topaz's financial covenants as at 31 December 2014:

Financial covenant	Threshold	As at Dec 2014
Net interest-bearing debt to EBITDA	< 4.5:1	3.25
Headroom		28%
Tangible net worth	> \$450M	692
Headroom		54%
Free liquidity (in millions)	> \$20M	50
Headroom		152%
Total debt/Tangible net worth	<=1.85	1.03
Headroom		44%
EBITDA to interest	> 3.0:1	3.36
Headroom		12%
Working capital (in millions)	Positive	62

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 four quarters and December 2014.

	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Growth Dec 13 v Dec 14
Cash and cash equivalents	169	24	44	50	63	(106)
Floating rate senior secured loans	315	305	335	329	330	15
Fixed rate senior secured loans	17	17	16	16	15	(2)
Other loans / Senior Notes ⁷	338	339	349	340	340	2
Subordinated shareholding funding	134	134	134	134	106	(28)
Total debt	804	795	834	819	791	(13)
Total equity	541	530	564	579	669	128
Total capitalisation	1,345	1,325	1,398	1,398	1,460	115
Net debt	636	771	790	769	728	92
Total debt / LTM EBITDA	4.93	4.64	4.82	4.48	3.89	-
Net debt / LTM EBITDA	3.89	4.50	4.57	4.20	3.60	-

⁷ Recorded as per International Financial Reporting Standards (IFRS)

ADMINISTRATIVE EXPENSES

Administrative expenses increased by US\$5.5 million, or 14.1%, to US\$44.7 million during the period compared to US\$39.2 million during the same period last year. The increases are on account of the investment Topaz made during the period in refining its growth strategy and hiring global talent.

FINANCE COSTS

Finance costs increased by US\$19.6 million, or 44.5%, to US\$63.7 million during the period compared to US\$44.0 million during the same period last year. The increase in interest expense was primarily due to interest charges on Senior Notes raised in Q4 2013 and an increase in Topaz's debt level during the period.

INCOME TAX EXPENSE

Income tax expense increased by US\$3.5 million, or 18.8%, to US\$22.4 million during the period compared to US\$18.8 million during the same period last year. However, tax as a percentage of revenue for the period is 5.6% which is consistent with last year's tax percentage of revenue of 5%.

CASH FLOW

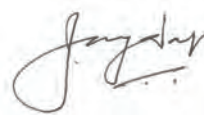
Cash generation as a percentage of EBITDA was 111% (2013: 100%).

Investing activities primarily include payment for capex committed in 2013 of US\$179 million on seven vessels; further investment in 2014 of US\$57 million on five vessels under construction; and the purchase of four bareboat vessels in Q4 2014 for US\$40 million.

Financing activities mainly include an equity injection by Standard Chartered Private Equity of US\$75 million, an equity injection by our JV partner in Azerbaijan of US\$9 million, dividend paid to our parent company (Renaissance) of US\$20 million, loan drawdown of US\$53 million on four vessels, US\$20 million RCF drawdown and usual debt servicing.

BANK COVENANTS

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As at 31 December 2014 Topaz has complied with all financial covenants.



Jay Daga
Chief Financial Officer

FINANCING

	Original maturity	Interest rate	Repayment	Outstanding as at 31.12.14* US\$000
Syndicated Conventional Facility	August 2017	LIBOR + 4.0%	Quarterly with 35% bullet	129,824
Conventional Facility	June 2020	LIBOR + 3.5%	Quarterly with 20% bullet	45,610
Bilateral Islamic Financing	May 2018	LIBOR + 3.95%	Quarterly with 33% bullet	17,482
Export Credit Financing	July 2022	LIBOR + 2.65%	Half-yearly	16,600
Bilateral Islamic Financing	October 2017	5.75%	Quarterly with 35% bullet	14,511
Bilateral Islamic Financing	June 2018	LIBOR + 3.75%	Half-yearly with 50% bullet	100,596
Senior Notes	November 2018	8.625%	Bullet	340,249
Revolving Credit Facility	October 2016	LIBOR + 3.75%		20,000
Total Topaz loans				684,872

*Recorded as per International Financial Reporting Standards (IFRS)



2014 Ship of the Year winner, BUE Ili, operating in the Filanovsky field in the summer of 2014.

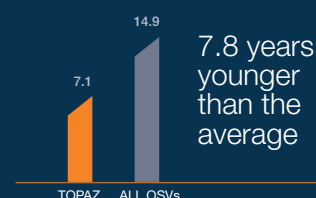
The winner of the Ship of the Year award is selected from nominations across the Topaz fleet based on outstanding performance in safety, client feedback, high standards of operational readiness and utilisation, compliance and internal reporting.

We manage our key operational assets, our fleet, through a focused build and renewal programme.

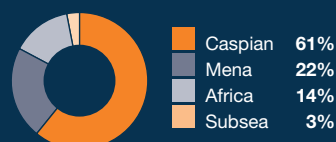


Geoffrey Taylor, Chief Operating Officer

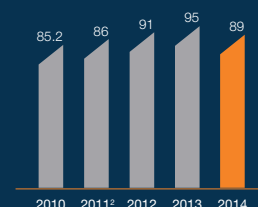
TOPAZ FLEET AGE (YEARS)



% VESSELS BY LOCATION



CORE FLEET UTILISATION (%)



KEY FLEET RENEWAL INVESTMENT TRIGGERS

AVERAGE AGE

7.1 YEARS VERSUS INDUSTRY AVERAGE OF 14.9 YEARS

- > We build or buy new vessels and divest older ones in order to maintain a fleet that is considerably younger than the industry average
- > Vessels over 15 years old are routinely considered for sale and are divested under the right commercial circumstances

WHAT ARE THE BENEFITS?

- > Our commitment to maintaining a more modern fleet means:
 - greater reliability for our customers
 - safer working environments for our crews
 - less downtime
 - less maintenance capital expenditure

CORE CAPABILITIES / SERVICES

c. 60% OF OUR VESSELS ARE CONSIDERED CORE TO OUR STRATEGIC GROWTH PLANS

- > As part of our strategy to improve our execution of services we are focusing more on our core vessels: AHTVs, PSVs, MPSVs and ERRVs

WHAT ARE THE BENEFITS?

- > These vessels are highly versatile across all phases of the energy extraction lifecycle and enable us to contract with a wide array of clients
- > By focusing on these vessels we can maintain high utilisation rates

**ANCHOR HANDLING
TUG SUPPLY VESSELS
(AHTSVs)****SERVICES**

Anchor handling, towing offshore platforms, barges, production modules and vessels and supply services.

28 vessels in service

+5 in 2014
(including acquired bareboat charter vessels)

- > Caspian Challenger
- > Topaz Glory
- > Topaz Johor
- > Topaz Jurong
- > Topaz Legend

**EMERGENCY
RESPONSE AND
RECOVERY VESSELS
(ERRVs)****SERVICES**

Safety support to offshore installations. On-board hospitals, fast rescue craft and firefighting and oil recovery capabilities.

3 vessels in service

+0 in 2014

- > Under construction: Topaz Responder

**FOCUSED ON
OUR CORE
VESSELS**

**ACTIVE BUILD
AND RENEWAL
PROGRAMME**

**PLATFORM SUPPLY
VESSELS (PSVs)****SERVICES**

Transporting supplies and equipment to and from offshore installations. Supply stores, drilling equipment, drilling bulks, fluids and pipes.

17 vessels in service

+6 in 2014

- > Caspian Voyager
- > Topaz Faye
- > Topaz Isra
- > Topaz Megan
- > Topaz Seema
- > Topaz Xara

**MULTI-PURPOSE
SUPPORT VESSELS
(MPSVs)****SERVICES**

Range of offshore activities. Supply stores and drilling products and support inspection, maintenance, repair, diving and construction activities.

9 vessels in service

+0 in 2014

- > Under construction: Topaz Resolve

ADDITIONAL VESSELS

In addition to our core vessels we also have:

Vessel type	Number
Barges	23
Crewboats	9
Others (tugs)	6

IN THE PIPELINE

Three vessels being built

Vessel type	Expected delivery
ERRV	2015
MPSV	2015
AHTSV	Early 2016

TOTAL INVESTMENT 2014

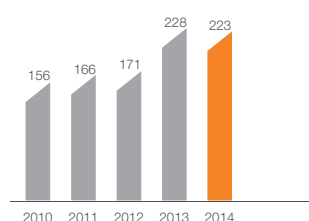
US\$268.8 million

Including dry-dock upgrades (planned maintenance expenditure) and mobilisation

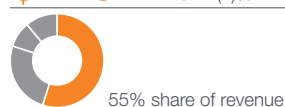
Topaz's largest market still provides opportunities for growth.

CASPIAN PERFORMANCE AND KEY FIGURES AT A GLANCE

REVENUE (US\$M)

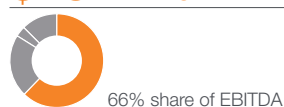


\$223 million (2)%



EBITDA (US\$M)

\$134 million



MARKET HIGHLIGHTS

Due to the high physical barriers to entry in the Caspian, for larger vessels the market is dominated by long-term contracts

The Caspian has both deep waters and extremely shallow waters making it a basin where a great variety of asset classes operate

TOPAZ POSITION

Topaz is the leading international operator in the Azeri market and the provider of choice for blue-chip customers

Topaz has robust growth opportunities in other markets such as Turkmenistan

ABOUT TOPAZ MARINE CASPIAN

Topaz has had a presence in the Caspian Sea since 1990, through its acquisition of the BUE Marine fleet in 2005.

AREA MANAGER – CASPIAN

Paul Jarkiewicz



HEADQUARTERS

Baku, Azerbaijan

LOCAL OFFICES

Aktau, Kazakhstan, Astrakhan, Russia and Ashgabat, Turkmenistan

EMPLOYEES

817, of which 113 onshore and 704 offshore

WHERE WE OPERATE



FLEET

58 vessels in total

20 deployed in Azerbaijan

33 in Kazakhstan

2 in the Russian sector of the Caspian Sea

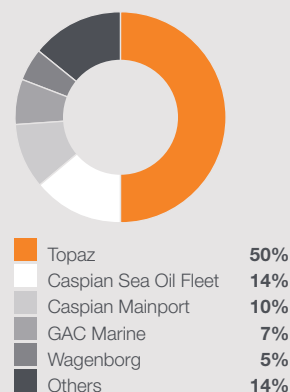
3 in Turkmenistan

AVERAGE FLEET AGE

7.8 years

MARKET SHARE BY NUMBER OF VESSELS

Market leader in the region with a share of 50% by number of AHTSVs (≥5,000 BHP) and PSVs (≥3,000 DWT).



KEY CUSTOMERS

Large international oil companies such as:

BP, Total, Saipem, Agip and Ersai

REGIONAL MARKET CHARACTERISTICS

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 the restrictions and requirements described below.

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.

The 79-metre, 4,000 deadweight tonnage Platform Supply Vessel Caspian Voyager, without her bridge, as she is towed out to open sea en route to the Caspian.



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 only nine OSV suppliers. Topaz is the largest operator with four times as many vessels as the second largest operator and with almost 50% of the total Caspian OSV fleet.

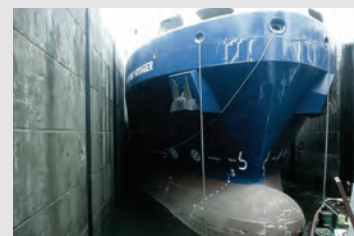
TOPAZ MARKET PERFORMANCE

In 2014, Topaz's Caspian business did not grow materially, reflecting the mature nature of the dominant Azerbaijan market. However, Topaz deployed US\$135.5 million to convert the purchase options of four vessel already operating in the Caspian on bareboat leases, thereby growing EBITDA considerably.

OUTLOOK

In 2015, the relative stability of the Caspian market is expected to remain, with the potential upside of growing activity in Turkmenistan.

CRAFTSMANSHIP IN ACTION



The Caspian Sea is landlocked, with two entry points from the Volga Don canal system: a southern route from Rostov-on-Don to Astrakhan, and a northern route from St Petersburg to Astrakhan. Preliminary stability calculations indicated that the Caspian Voyager could be ballasted to give a sea draft of 3.2m and a beam of 17.2m – but an air draft of 22m, which meant that the bridge and upper accommodation deck would have to be removed before the vessel entered the canal system.

MODIFICATION WORKS AND BRIDGE REMOVAL

Topaz gave the contract to Selah Shipyard Tuzla. The main works to be carried out were as follows:

Disconnect all bridge equipment

Disconnect all mast cables and remove mast equipment

Reinforce superstructure

Lift off superstructure and secure on after deck (weight estimate 130 MT)

Rig up tow wires for tow to Rostov-on-Don then onward to Baku

At Rostov, the vessel was handed over to two canal transit tugs, and after completing canal entry and customs formalities, the tugs and vessel entered the Volga Don system. The vessel arrived and was reassembled in Baku in a record-setting 19 days and once all trials and checks were completed satisfactorily, the vessel was deemed fit to go on hire.

Highly fragmented and dominated by older tonnage, the MENA market stands to be consolidated by leading operators such as Topaz.

MENA PERFORMANCE AND KEY FIGURES AT A GLANCE

REVENUE (US\$M)

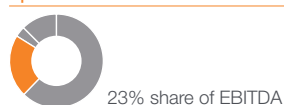


\$101 million +10%



EBITDA (US\$M)

\$47 million



MARKET HIGHLIGHTS

Fragmented market with many small operators

The shallow and benign waters of the Arabian Gulf mean only small to medium vessels can operate

Market dominated by older tonnage, but with growing demand for a younger fleet offering

TOPAZ POSITION

Solid positions in Qatar and Saudi, strong growth expected in Saudi and Abu Dhabi over the medium term

ABOUT TOPAZ MARINE MENA

Topaz has been present in MENA for over 26 years with its first operations in Dubai, followed by Qatar and Saudi Arabia.

REGIONAL DIRECTOR – MENA

Richard Ayling



HEADQUARTERS

Doha, Qatar

LOCAL OFFICES

Dubai, UAE, and Al Khobar, Saudi Arabia

EMPLOYEES

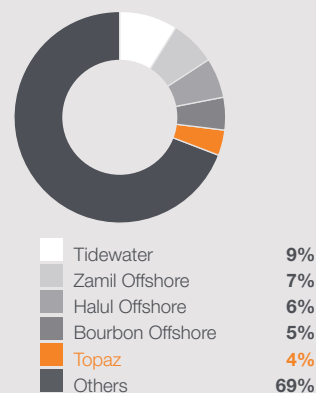
589, of which 66 onshore and 523 offshore

WHERE WE OPERATE



MARKET SHARE BY NUMBER OF VESSELS

Topaz is the fifth largest OSV operator of AHTSVs (≥5,000 BHP) and all PSVs in the region with a market share of 4%.



FLEET

21 vessels in total

9 deployed in Saudi Arabia

8 in Qatar

4 in UAE

AVERAGE FLEET AGE

7.0 years

KEY CUSTOMERS

Mixture of international oil companies, national oil companies and offshore contractors, including:

Saudi Aramco, Maersk Oil, Dubai Petroleum, OXY, Dolphin Energy, Saipem and McDermott

REGIONAL MARKET CHARACTERISTICS

The MENA region is a large, fragmented market for OSV operators, with limited barriers to entry. 31% of the OSV fleet in the Middle East is managed across five operators of which Topaz is one, with the remainder spread out over 103 managers.

The average fleet age for this group of 103 managers is 14 years. The support vessel market in the MENA region is dominated by the use of small capacity AHTSVs and PSVs for shallow/benign waters.

TOPAZ MARKET PERFORMANCE

In 2014, the MENA business performed well operationally, and due to the sale of one of our ageing vessels, grew its top line and operating profit by approximately 8%.

OUTLOOK

In 2015, despite rate pressure due to the oil price crisis, we expect to grow our MENA business by mobilising assets from other regions into our Saudi and UAE markets.



The Topaz Shaheen, a 60-metre AHTSV in the Topaz MENA fleet, photographed here with the FSO Asia.

Both the Topaz Salah and the Topaz Shaheen are working in the Al Shaheen field, the largest offshore oilfield in Qatar, producing a third of Qatar's oil and operated by Maersk Oil on behalf of Qatar Petroleum.

DANGER AVERTED A DAY ON THE TOPAZ SALALAH

M



Location: Al Shaheen Oilfield in the Arabian Gulf, 80 kms off the coast of Qatar

Weather: Clear, winds northwesterly at 7-8 knots, sea 2-3 ft

The Topaz Salah, a 61m Anchor-Handling Tug Supply Vessel (AHTSV) in the Topaz Marine MENA fleet, was conducting dive operations at a Maersk SPM (single-point mooring system) in the Al Shaheen field.

The FSO (floating storage and offloading vessel) Asia was moored at the SPM with an export tanker. Asia is 380m long, with a beam of 68m; it can store over three million barrels of oil. This is one of the four largest ships in the world in terms of tonnage.

The wind caused the FSO to begin swinging toward the SPM and the dive platform. A catastrophic incident could have resulted – but the awareness and sharp reactions of the Topaz Salah crew meant that the dive crew was recovered swiftly and the vessel moved to safety before the Asia could return to its position.

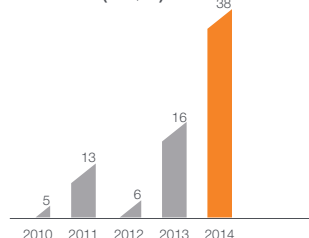
As a result, the Topaz Salah was highly commended by the management of Maersk Oil Qatar. The Topaz Salah is a four-time winner of Maersk Oil Qatar's annual LTI-Free Award.



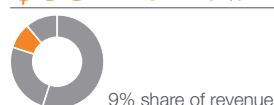
West Africa is a vibrant market with opportunity for Topaz to consolidate its recent growth spurt by becoming truly local.

AFRICA PERFORMANCE AND KEY FIGURES AT A GLANCE

REVENUE (US\$M)

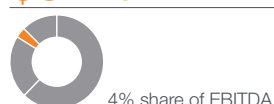


\$38 million +137%



EBITDA (US\$M)

\$8 million



MARKET HIGHLIGHTS

West African market dominated by Nigeria and Angola

Secondary markets such as Ivory Coast, Gabon and Ghana showing promise

TOPAZ POSITION

Emerging presence in West Africa, currently with 13 vessels

Rapidly growing market share with great prospects for further expansion

ABOUT TOPAZ MARINE AFRICA

Topaz has been present in Africa for three years and has grown its presence rapidly.

REGIONAL DIRECTOR – AFRICA

Tom Knudsen

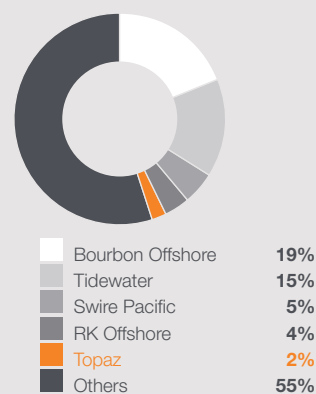


WHERE WE OPERATE



MARKET SHARE BY NUMBER OF VESSELS

Topaz is the fifth largest OSV operator of AHTSVs (≥5,000 BHP) and all PSVs in the region with a market share of 2%



HEADQUARTERS

Dubai, UAE



LOCAL OFFICES

Port Harcourt, Nigeria



EMPLOYEES⁸

325 offshore



FLEET

13 vessels in total

Mainly deployed in Nigeria and Angola

AVERAGE FLEET AGE

2.8 years



KEY CUSTOMERS

Mixture of customers including:

Afren, BP Angola, Exxon Mobil, Perenco, Subsea 7, Technip, Total Angola, Total Ivory Coast and Total Nigeria

⁸ Onshore employees across Topaz Marine Africa and Topaz Marine Subsea total 23.

REGIONAL MARKET CHARACTERISTICS

West Africa is a key region for the production of offshore oil and gas. It is a new growth market for Topaz, which now operates 13 vessels between Angola and Nigeria.

The West African market is dominated by Nigeria and Angola representing approximately two-thirds of total OSV demand. The market is a highly competitive short- to medium-term market with participation from virtually all of the leading OSV companies. The market also offers opportunities for longer-term employment, predominantly for Platform Supply Vessels.

The market is highly cabotaged and each country has its own unique operating parameters and constraints.

TOPAZ MARKET PERFORMANCE

2014 saw strong growth through the deployment of five new Platform Supply Vessels into the region, winning solid contracts with IOCs at attractive market rates. However with weakening oil prices during the second half of the year, the competitive nature of the West African OSV market bared its teeth and rates and utilisation weakened considerably at the end of the year.

OUTLOOK

2015 has started in the same manner and this market pressure is expected to continue for the first and second quarter. Although we are seeing promising signs of a gradual recovery in the second half of 2015 and into 2016, we anticipate a challenging year in Africa. In spite of these tough short-term conditions, we see a great promise of further expansion in West Africa in the longer term through Topaz's willingness to invest in modern tonnage and to become a truly local company in Nigeria and Angola.



TOPAZ ORYX TOWS 'WEST ARIEL'

A

The West Ariel, a Keppel FELS B Class jack-up rig owned by Seadrill Ltd, has secured a contract from ENI Congo for drilling offshore from the coast of Congo.

The heavy lift vessel MV Falcon brought the rig from its previous location of Vietnam to Gabon, and the AHTSV Topaz Oryx was contracted to deliver the rig to its final position.

The job took two weeks in total. The rig was carefully floated off the Falcon's lifting deck and successfully towed to the ENI field off Congo. The rig was positioned, its legs were lowered, and the towline was disconnected in order to complete the operation.



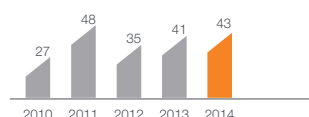
Top: A beautiful sunrise over Nigerian waters as the AHTSV Topaz Oryx tows jack-up rig AD9.

Bottom: The team aboard the Topaz Oryx prepares to receive the tow rope from the MV Falcon.

The subsea space is a global market where competition is fierce, but with solid growth prospects.

SUBSEA PERFORMANCE AND KEY FIGURES AT A GLANCE

REVENUE (US\$M)

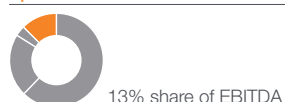


\$43 million +5%



EBITDA (US\$M)

\$26 million



MARKET HIGHLIGHTS

Globally traded high-value assets acting as flexible operating platforms

Key clients are subsea contractors and IOCs

TOPAZ POSITION

Strategic intent to renew subsea fleet and add services

Highly profitable segment based on opportunistic vessel acquisitions

ABOUT TOPAZ MARINE SUBSEA

REGIONAL DIRECTOR – SUBSEA

Rune Zeuthen



HEADQUARTERS

Dubai, UAE



EMPLOYEES⁹

99 offshore



WHERE WE OPERATE



FLEET

3 vessels in total

2 deployed in the North Sea
1 deployed in the Gulf of Mexico

AVERAGE FLEET AGE

14.5 years



KEY CUSTOMERS

Mixture of customers including:

ABB, DEMAR, RS Diving, Subsea 7 and Technip

⁹ Onshore employees across Topaz Marine Africa and Topaz Marine Subsea total 23.

REGIONAL MARKET CHARACTERISTICS

The global subsea market is a true growth market. As oil exploration goes deeper, subsea infrastructure increases. Subsea technology is also becoming more common in shallow water markets. At the same time, inspection and maintenance of a growing and ageing offshore infrastructure need to be supported by subsea-capable vessels.

Topaz has limited exposure to the subsea market, with only three key assets (Topaz Captain, Topaz Commander and Topaz Installer) dedicated to the sector. While this is a limited number of vessels it is a key revenue stream for the business.

TOPAZ MARKET PERFORMANCE

2014 saw continued strong returns in this sector, driven by a mixture of long-term contracts for Topaz Captain and Installer as well as healthy spot rates for Topaz Commander in the North Sea. The Topaz Commander again performed well in both the oil and gas sector and the offshore wind energy sector. A weakening oil price and the weak seasonal market saw limited work for the Topaz Commander in the North Sea in Q4.

OUTLOOK

2015 is expected to be a weaker year for our vessels in this segment without firm contract cover. The market has adjusted to a lower price point and both Topaz Captain and Topaz Commander will likely be forced to accept less attractive rates. In 2016, with recovering oil prices, the growing importance of subsea infrastructure and continued demand from the offshore renewable sector, we expect a stronger performance. As the subsea segment is the fastest growing segment in the global OSV market, we intend to invest further in subsea vessels in the medium term.



A DAY IN THE LIFE OF THE TOPAZ INSTALLER

S

Major Baltic power cable laid by Topaz Installer

On 11 April 2014 the Topaz Installer, a specialised vessel with a horizontal carousel, started laying cable in the Baltic for the important Nordbalt submarine power cable.

The cable runs under the Baltic Sea between Nybro in Sweden and Klaipeda in Lithuania. When completed in 2015, the project should help to significantly reduce Lithuania's dependency on imported oil and gas. At 450 km long (with 400 km of it under water), Nordbalt will be the world's longest HVDC Light cable.

At the starting point, the vessel picked up a small buoy connected by wire to the shore station. This wire was attached to the on-board cable, and in a procedure coordinated on board, the shore side started to pull the cable ashore.

Once the cable ends were at their required position at the shore, the vessel was ready to move. The 50 km cable took around eight days to lay. At the end of the segment, the cable end was connected to a wire and a marker buoy, the ROV released the hook and was brought back to the vessel, and Topaz Installer returned to its project base at Karlskrona, Sweden.



Above: The Topaz Installer in moorings in Karlskrona, Sweden during a cable loading operation.

Left: Loading the cable from the factory chute into the Topaz Installer's horizontal carousel.



Governance

44 / Corporate governance statement

48 / Board of Directors

50 / Senior Management

52 / Directors' report

53 / Independent Auditor's Report

Location / Arabian Gulf

Vessel / DMS Challenger is a 58-metre, 3,000 BHP Multi-Purpose Support Vessel in the Topaz MENA fleet. She has been contracted with a leading EPC company in the Middle East since 2014 to work in Saudi Arabia for platform pre-commissioning work.

Years in Topaz service / 11

Number of crew / 17

Typical missions / Various offshore construction such as platform pre-commissioning and wireline support work.



Our strong guiding corporate governance principles set the tone from the top.

What good governance means to Topaz

Topaz's objective is to ensure long-term value creation for its stakeholders, including its shareholders. This can only be achieved by ensuring that the Board sets the tone from the top – articulating and following good corporate governance principles, which are cascaded 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 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).

KEY DEVELOPMENTS DURING THE YEAR

New Board member

As announced in August 2014, following an equity injection from Standard Chartered Private Equity (SCPE) to support our future growth plans, Taimoor Labib joined the Topaz Board. Taimoor brings a wealth of private equity experience to help us deliver our long-term strategic plans.

SUMMARY

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 as best practice the Principles of Corporate Governance and the provisions of the Code of Corporate Governance, set out in the Capital Market Authority's (CMA) "Code" for companies listed on the MSM. The Company believes that the Code prescribes a minimum framework for the governance of a business.

More information about the CMA regulations can be found on its website:

www.cma.gov.com ►

Setting standards above legal requirements

The Company's philosophy is to develop this minimum framework and institutionalise its principles as an ingredient of its corporate culture. Topaz's objective is to ensure long-term value creation for its shareholders. We believe that the best way to achieve this goal is through a values-based performance culture, stringent ethical requirements and a code of conduct that promotes personal integrity and respect for the environment. Topaz's corporate governance is therefore based on the Company's corporate values, the "Topaz Way" and ethical guidelines.

Code of Business Conduct

As part of its mission to be one of the best-run businesses in our industry, Topaz has adopted a Code of Business Conduct that sets the standards and clarifies the procedures and rules for running our day-to-day operations. It also provides practical guidance for dealing professionally with our business partners, customers, employees and the societies in which we operate.

A full copy of our code is available to download from our website.

THE BOARD

Clearly defined responsibilities

In addition, the work of the Board of Directors is based on a clearly defined division of roles and responsibilities between the shareholders, the Board of Directors and the management of Topaz.

Corporate governance principles

The following principles underlie our approach to corporate governance:

- > All shareholders will be treated equally.
- > Topaz will ensure that all shareholders have access to up-to-date, reliable and relevant information about the Company's activities.
- > The Board focuses on achieving alignment of interests between owners, the Board of Directors and the Company's management.
- > In order to effectively discharge its governance responsibilities, the Board ensures that the majority of Board members are non-executive.
- > The Board of Directors bases its practical work on the principles of good corporate governance applicable at all times.

Board of Directors

The new Board and its Committees, formalised in 2013, are now functioning effectively. The Board consists of the Chairman, five Non-executive Directors and one Executive Director. Four Non-executive Directors on the Board are shareholders/representatives of shareholders and one Director is an independent Non-shareholder Director. The Executive Director representing management is the Topaz Chief Executive Officer.

Board Committees

As per the best practice corporate governance structures, the Topaz Board is assisted by the Topaz Audit Committee, which is chaired by the Independent Non-executive Director, and a Topaz Remuneration Committee comprising Non-executive Directors.

The parent company CFO attends the Topaz Board and Topaz Audit Committee meetings in an observer capacity. 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. We have already made the first appointment of an Independent Director on the Topaz Board, who is also an Independent Director and Chairman of the Topaz Audit Committee, and a member of the Topaz Remuneration Committee.

The reason for this important initiative is to establish absolute focus on each business and on good governance. This means Topaz is now able 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.

Corporate Executive Committee

In addition to the committees of the Board, a Corporate Executive Committee (CEC) is now functioning, which is a management committee comprising the CEO, Chief Operating Officer, Chief Financial Officer, HR Director and Strategy and Business Development Director, who meet weekly to discuss the overall performance of the Company. In addition, the CEC meets once every month with the senior managers of the Company's business units to discuss individual business unit performance and future plans.

THE "TOPAZ WAY"

See it – you own it

- > We are watchful and aware, on the lookout, for things that could be improved
- > We share or take responsibility for the outcome if it can be corrected or improved

If you have the capability – you have the duty!

- > We are willing to make a difference beyond our call of duty
- > We take responsibility for contributing in an area where we can make a difference
- > We ask for help proactively, and offer it gladly

Status quo – is regress

- > What worked yesterday may not work tomorrow because of our dynamic industry, and technological and legislative changes
- > We need to be at least one step ahead of every external and internal stakeholder, always ambitious

Accept no loss or accident which could have been avoided by applying constant care

- > We will not suffer any incident that is a result of carelessness
- > We take the Company business personally
- > We do not make the same mistake twice

We win together

- > We celebrate success together
- > We create relationships for their own sake
- > We trust team capabilities
- > We put corporate and Group objectives first

CORPORATE GOVERNANCE STATEMENT CONTINUED

BOARD COMPOSITION AND MEETING ATTENDANCE

Name	Title	Independent	Meetings held 2014	Meetings attended 2014
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	1
René Kofod-Olsen	Executive Director	No	4	4

AUDIT COMMITTEE COMPOSITION AND MEETING ATTENDANCE

Name	Title	Independent	Meetings held 2014	Meetings attended 2014
Philip Gore-Randall (Chair)	Non-executive Director	Yes	5	5
Ali bin Hassan Sulaiman	Non-executive Director	No	5	4
Sunder George	Non-executive Director	No	5	5

REMUNERATION COMMITTEE COMPOSITION AND MEETING ATTENDANCE

Name	Title	Independent	Meetings held 2014	Meetings attended 2014
Ali bin Hassan Sulaiman ⁷ (Chair)	Non-executive Director	No	1	-
Philip Gore-Randall	Non-executive Director	Yes	1	1
Stephen R. Thomas, OBE	Non-executive Director	No	1	1

⁷ Following the formation of the Remuneration Committee in January 2014, one meeting was held. On this occasion, and exceptionally, Samir J. Fancy represented Ali bin Hassan Sulaiman, who was unable to attend.

BOARD VISIT TO BAKU

Topaz makes a point of ensuring that at least one Board meeting takes place in an area where a strategic business unit is located. In 2014, the October Board meeting was held in Baku, Azerbaijan. This meeting was followed by a visit to a Topaz vessel. This approach facilitates the Board of Directors' ability to familiarise themselves with Topaz operations and vessels.



INVESTOR RELATIONS ACTIVITIES 2014

MARCH

FY 2013 financial results

> Conference call

MAY

Q1 2014 financial results

> Conference call

AUGUST

H1 2014 financial results

> Conference call

NOVEMBER

9M 2014 financial results

> Conference call

In September 2014, Topaz also presented at the Pareto Conference, Oslo, Norway. Press releases, presentations and call transcripts are available to download from our website: www.topazworld.com/en/investors ►

Board responsibilities

The Board has the authority, and is accountable to shareholders, to ensure that the Company 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 Company'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 performance of the Company as a whole. This includes:

- > Engaging at Board meetings with the CEO and other senior members of the Company as appropriate, on Topaz's financial and operating performance and external issues material to Topaz's prospects
- > Evaluating progress toward 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 Company.

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 Company 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, while 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 with respect to the matters under consideration. It was similarly satisfied that the Board is kept informed of all areas of major importance to the Company. 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 Company in the furtherance of their duties. Ongoing support and resources are provided to Directors in order to enable them to extend and refresh their skills, knowledge and familiarity with the Company.

Professional development and training is provided in three complementary ways:

- > Regular updating on changes and proposed changes in laws and regulations affecting the Company 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.

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 disposition, 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 have established are designed to provide effective internal control within Topaz and accord with best practices of internal control.

PROFESSIONAL PROFILE OF THE STATUTORY AUDITORS

PwC is a global network of firms operating in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for 40 years, PwC employs over 3,000 people and has 21 offices across 12 countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, the Palestinian Territories and the United Arab Emirates. Expert assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. As per article 9 (para b) of the Code of Corporate Governance of Oman pertaining to the rotation of external auditors, PwC completed two years as statutory auditors of the Company at the end of 2013 and was reappointed as a statutory auditor of the Company for the financial year 2014.

TOPAZ KEY INTERNAL CONTROL PROCEDURES

- > 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.
- > 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.
- > The appointment of executives to the most senior positions in the Company requires the approval of the Board of Directors.
- > Systems and procedures are in place in Topaz to identify, assess and prioritise the major risks.
- > The operational risks are managed by each key operational function and consolidated under an Enterprise Risk Management approach at the corporate level through a dedicated Risk function. This approach assists in assessing, prioritising and managing risks proactively.
- > Exposure to fraud risks and COBC violations is monitored through the Ethics Line, a phoneline enabling anonymous reporting of violations of the COBC, whistle-blowing etc., supported by the HR Director, the Head of Risk and Compliance and the Head of Legal.
- > 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.
- > Centralised functional control is exercised over all computer system developments and operations. Common systems are employed for similar business processes wherever practicable.
- > 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, information technology, insurance, accounting, tax, legal and regulatory compliance, human resources and communication.
- > Policies to guide subsidiary companies and management at all levels in the conduct of business to safeguard the Company's reputation are established by the CEC.
- > 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 OF DIRECTORS

We continue to shape our Board structure in line with best practice.



SAMIR J. FANCY
Chairman

Independent
No

Strengths and experience

Samir has over 30 years' worth of Directorship experience across a range of sectors, including financial investment, oil and gas and facilities management. He was nominated for Ernst & Young's Middle East Entrepreneur of the Year in 2007 and Oman Entrepreneur of the Year in 2012. He also founded the Oman Chapter of The Young Presidents Organization and is involved in charitable work, supporting children with disabilities.

Other appointments

- > Chairman of Renaissance Services SAOG since 1997
- > Chairman of Tawoos LLC since 2005, and CEO from 1985-2005
- > Director and founding shareholder of SAMENA Capital and Chairman of its Executive Committee
- > Previously a Director of the National Bank of Oman, a Director of Muscat Finance Company and a founder and Director of United Power SAOG



RENÉ KOFOD-OLSEN
Chief Executive Officer

Independent
No

Strengths and experience

René has over 18 years of experience in the marine industry, having worked in the AP 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 program at Harvard Business School.



STEPHEN R. THOMAS, OBE
Non-executive Director

Independent
No

Strengths and experience

Stephen has a wealth of international experience, originally working with Grand Metropolitan Group plc, and serving as Chairman of the Oman Society for Petroleum Services (OPAL). He has been with what is today Renaissance Services SAOG since 1988, and served as CEO since 1998. 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 appointments

- > Member of Topaz Energy and Marine's Remuneration Committee
- > Board Member of OPAL
- > Former Board member of National Hospitality Institute SAOG



SUNDER GEORGE
Non-executive Director

Independent
No

Strengths and experience

Sunder has over 35 years of international banking and finance experience and is a Fellow of the Chartered Institute of Bankers London and an Associate of the Indian Institute of Bankers. He is one of the few Indian nationals to have been granted Omani citizenship for his dedicated services to Oman.

Other appointments

- > Director of the Board of Renaissance since 2001
- > Chief Advisor to the Board of BankMuscat SAOG
- > Various Board Directorships in other companies in Oman



**ALI BIN HASSAN
SULAIMAN**
Non-executive Director

Independent
No

Strengths and experience

Over 25 years of global management experience in FMCG, manufacturing and services companies. Ali was the Founder of Ali and Abdul Karim Group, a manufacturing and services group with interests in the oil and gas, construction, FMCG consumer goods, and wireless networking sectors.

Other appointments

- > Chair of Topaz Energy and Marine's Remuneration Committee
- > Deputy Chairman of Renaissance since 2010
- > Director National Hospitality Institute SAOG
- > Director of Majan Glass Manufacturing Co SAOG

● | ● (Chair)



TAIMOOR LABIB
Non-executive Director

Independent
No

Strengths and experience

Taimoor has around 18 years of direct private equity and M&A experience across a wide range of industries and geographies; including deep relationships with the leading Saudi family groups, regional regulators and sovereign wealth funds. 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 appointments

- > Regional Head of Middle East & North Africa Private Equity & Head of Global Private Equity Portfolio Management at Standard Chartered Private Equity
- > Member of Standard Chartered Bank's global principal finance management committee, all regional private equity investment committees, and the global exit committee.



**PHILIP ALLAN GORE-
RANDALL**
Non-executive Director

Independent
Yes

Strengths and experience

Chartered Accountant with extensive experience, in the UK and overseas, at a senior level in large organisations. Philip was COO of HBOS plc in 2007-2008 and prior to that COO of Aon UK Limited, following a period as Chairman and Chief Executive of Aon Risk Services. Philip spent the first 25 years of his career at Andersen and was elected UK Managing Partner in 1997 and Managing Partner and COO for the worldwide practice in 2001.

Other appointments

- > Chairman of Topaz Energy and Marine's Audit Committee
- > Member of Topaz Energy and Marine's Remuneration Committee
- > Chairman of Fircroft Engineering
- > Chairman of Alvarez and Marsal Corporate Solutions (Europe)
- > Chairman of Equiom Holdings
- > Chairman of Audit and Operation Committee and Remuneration Committee, Samena Capital
- > Audit Committee Expert, RAK Ceramics PSG

● (Chair) | ●

ABOUT OUR BOARD

It remains our intention to appoint more independent Non-executive Directors with relevant industry, market or professional expertise. These appointments will be made in due course. We have already made the first appointment of an Independent Director on the Topaz Board, who is also an Independent Director and Chairman of the Topaz Audit Committee and a member of the Topaz Remuneration Committee.

BOARD COMPOSITION



Executive Directors 23%
Non-executive Directors 71%

NATIONALITY



Omani 43%
British 29%
Danish 14%
American 14%

KEY TO BOARD COMMITTEE MEMBERS

Audit Committee member ●
Remuneration Committee member ●

SENIOR MANAGEMENT

A recognised competitive strength, our collegial senior management team has vast industry knowledge combined with strong functional experience.

CORPORATE EXECUTIVE COMMITTEE



From left: Jay Daga, Ealbra Moradkhan, Robert Desai, René Kofod-Olsen, and Geoffrey Taylor.

RENÉ KOFOD-OLSEN Chief Executive Officer

Joined Topaz 2012

Years with Topaz 3

Years of experience 21

Previous roles

Svitzer, 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

JAY DAGA Chief Financial Officer

Joined Topaz 1999

Years with Topaz 16

Years of experience 22

Previous roles

Moshin Haider Darwish LLC, Hindustan Gas & Industries Ltd, PwC

Strengths and experience

- > Strong financial knowledge including capital raise, M&A, Capital structure
- > Strong general management skills across various functions
- > Deep knowledge of key Topaz businesses

ROBERT DESAI Strategy and Business Development Director

Joined Topaz 2009

Years with Topaz 6

Years of experience 11

Strengths and experience

- > Deep knowledge of Topaz business across various disciplines, including Corporate Planning and Investor Relations
- > Relevant industry and capital market projects experience

EALBRA MORADKHAN HR Director

Joined Topaz 2007

Years with Topaz 8

Years of experience 19

Previous roles

ABB (Iran)

Strengths and experience

- > Experienced senior manager with practical knowledge of Topaz businesses
- > Experienced in HR strategy, long-term planning and global HR practices in multi-cultural environment
- > Strong QHSE experience as well as external auditing credentials

GEOFFREY TAYLOR Chief Operating Officer

Joined Topaz 2013

Years with Topaz 2

Years of experience 43

Previous roles

Drydocks World

Strengths and experience

- > Experienced senior manager, having held several top executive positions
- > Former CEO of Drydocks World with extensive experience in ship repair, ship / rig building and ship management
- > Deep knowledge of maritime sector

SENIOR OPERATIONAL MANAGEMENT



PAUL JARKIEWICZ
Area Manager – Caspian

Joined Topaz	2013
Years with Topaz	2
Years of experience	27

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
- > Master Mariner, background in shipping and logistics



RICHARD AYLING
Regional Director – MENA

Joined Topaz	2009
Years with Topaz	6
Years of experience	35

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



TOM KNUDSEN
Regional Director – Africa

Joined Topaz	2015
Years of experience	30

Previous roles

A.P. Moeller-Maersk

Strengths and experience

- > Experience across a number of disciplines including strategy, start-ups, restructuring, terminals and line management
- > Deep knowledge of emerging markets and culture in East Europe, India and Africa



RUNE ZEUTHEN
Regional Director – Subsea

Joined Topaz	2013
Years with Topaz	2
Years of experience	19

Previous roles

Maersk, Clarksons, DA-Desk, Gulf Navigation Holdings

Strengths and experience

- > Significant experience in vessel chartering and brokering
- > New business development, strategic and client relationship building
- > Experienced entrepreneur in IT and systems

ABOUT OUR SENIOR MANAGEMENT

Each of our senior management team has, on average, over 25 years of relevant experience.

DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting before you the audited consolidated financial statements for the year ended 31 December 2014 of Topaz Energy and Marine Limited (formerly Nico Middle East Limited) ("the Company") and its subsidiaries (together, "the Group").

OPERATIONS

In 2014, the Group crossed the important milestone of achieving EBITDA > US\$200 million. This represents 25% growth over previous year in spite of the impact due to delays in commencement of projects in the Caspian and challenges in West Africa. Revenue for the period at US\$405 million is 8% above corresponding revenue of US\$ 376million of previous year. This increase is primarily due to six vessels added to the fleet in 2014 as compared to two in 2013. The revenue for the period also includes proceeds from the sale of marine vessels of US\$16 million as compared to US\$8 million in 2013.

DIVIDEND

At a meeting of the Board of Directors held on 18 February 2015, the Board proposed a dividend of US\$22 million for the year ended 31 December 2014.

INVESTMENT FOR GROWTH

In 2014 the Group made capital investments of US\$268.8 million (2013: US\$199.0 million) towards the modernisation and expansion of the Group's Offshore Support Vessel (OSV) fleet.

This year the Group divested three ageing vessels from our fleet. Six vessels, previously in the operating fleet on bareboat charter, have joined the permanent fleet following acquisition. Five new vessels have also been acquired. These are: Topaz Seema, Topaz

Xara, Topaz Isra, Topaz Megan and Topaz Faye. All are valuable additions to our fleet and our service offering to our clients. We plan further strategic investment in the fleet in 2015, including expanding our subsea service capability.

NEW EQUITY

During the year, Standard Chartered Private Equity (SCPE) subscribed for a 9.8% stake in the Company at US\$75 million. Through this, the Company has gained further world-class experience and expertise in its ownership and on its Board. The balance sheet is strengthened and financial capability to grow is enhanced.

STRATEGY

The Group's strategy received further endorsement after the Group assigned Boston Consulting Group (BCG) the task to independently test and validate the Topaz 2020 Vision. We believe the BCG review was comprehensive and feel confident that the management team is steering the Group on a path of growth and success.

MARKET AND OUTLOOK

We continue to nurture and grow our presence in our key core markets within the Caspian and the Arabian Gulf. These core markets are defined as countries where we have a critical mass of vessels, supported by in-country people, assets and infrastructure. Today these markets include Azerbaijan, Kazakhstan, Qatar, Saudi Arabia and UAE.

In the coming year, our target markets for building new core positions are the vibrant and promising markets of Angola, Nigeria and Turkmenistan. During 2014 we developed important partnerships in Angola and Nigeria and these cement our local credentials to move from reliance on short-term spot contracts to being eligible

to compete for longer-term sustainable contract opportunities. In the Caspian, we were pleased to re-enter the Turkmenistan market with an important new contract and hope to build on this with further awards during the year.

That said, our strategic commitment to long-term presence and growth in West Africa will give us some serious challenges in the first half of 2015 in the wake of the oil price crisis. We shall feel pressure on rates in the Caspian and MENA, but this is mitigated by the stability of our business model of established medium- to long-term contracts and secured income streams. In West Africa, the short-term position is different. There is a squeeze on spot rates and some cancellations and temporary suspensions of tenders. The consequence is the sudden loss of revenue, which flows directly to the bottom line. Our immediate efforts to rectify this will take a little longer to come into effect. We nonetheless remain resolute in our long-term strategies, particularly in West Africa.

Temporary setbacks in our short-term contracts are counter-balanced by: stability in our long-term contracts; a secured contract backlog > US\$1 billion; our predominant presence in the sustainable development and production cycle of the oilfields, as distinct from the more vulnerable exploration cycle; and the safety, relevance and efficiency of our modern fleet.

The Group's business shall have a torrid time amidst difficult trading conditions, particularly during the first half of the year, and particularly in the West Africa arena. Pressure shall abate as the year progresses, and overall performance shall depend on the scale of new opportunities that arise alongside our strong order backlog.

ACKNOWLEDGEMENT

The Directors take this opportunity to express their thanks to lenders, customers, major suppliers, shareholders and other stakeholders for their continued support and guidance.

The Directors wish to place on record their appreciation for the dedicated efforts put in by the employees of the Group at all levels.


Director


Director

FINANCIAL RESULTS (US\$M)

Sr. No	Particulars	2014	2013	% Growth
1	Revenue	405	376	+8%
2	Earnings before interest, tax and depreciation ("EBITDA")	204	163	+25%
3	Net Profit After Tax	52	45	+16%
4	Total Assets	1,542	1,456	+6%
5	Total Debt	791	805	-2%
6	Total Equity	669	541	+24%

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Topaz Energy and Marine Limited (formerly Nico Middle East Limited)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Topaz Energy and Marine Limited (formerly Nico Middle East Limited) ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

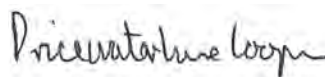
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
17 February 2015

Financials

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Location / Off the coast of Norway

Vessel / The Caspian Qala, a UT755 design, 74-metre, 6,250 BHP Platform Supply Vessel with DP2 capability built by Simek AS in Norway, is seen here engaged in a firefighting exercise. She operates as part of Topaz's fleet in the Caspian Sea.

Years in Topaz service / 7

Number of crew / 16

Typical missions / Cargo supply support (such as bulk, mud, deck cargo, fuel oil) to offshore platforms.



Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
Revenue	6	404,622	376,446
Direct costs		(217,251)	(230,515)
Gross profit		187,371	145,931
Administrative expenses		(41,145)	(35,321)
Impairment losses	7	(8,528)	(4,839)
Other income	8	426	1,892
Profit before finance costs and income tax		138,124	107,663
Finance costs	9	(65,121)	(45,444)
Finance income	9	1,464	1,404
Finance costs – net		(63,657)	(44,040)
Profit before income tax		74,467	63,623
Income tax expense	10	(22,371)	(18,836)
Profit for the year	11	52,096	44,787
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Changes to cash flow hedges	9	(158)	2,276
Total comprehensive income for the year		51,938	47,063
Profit attributable to:			
Owners of the Company		32,121	25,563
Non-controlling interests		19,975	19,224
Profit for the year		52,096	44,787
Total comprehensive income attributable to:			
Owners of the Company		31,963	27,839
Non-controlling interests		19,975	19,224
Total comprehensive income for the year		51,938	47,063
Basic and diluted profit per share (USD)	35	0.12	0.10

The independent auditor's report is set out on page 53.

The attached notes on pages 60 to 97 form 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 2014

	Notes	2014 US\$'000	2013 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,314,556	1,121,815
Intangible assets and goodwill	13	26,688	26,766
Long-term receivables and prepayments	15	888	7,546
Deferred tax asset	25	2,568	2,104
		1,344,700	1,158,231
Current assets			
Inventories	14	4,314	4,178
Accounts receivable and prepayments	15	112,594	107,433
Due from related parties	24	17,203	17,098
Bank balances and cash	16	63,414	169,297
		197,525	298,006
Total assets		1,542,225	1,456,237
Equity and liabilities			
Equity			
Share capital	17	284,720	256,818
Share premium		46,796	–
Statutory reserve	18	38	38
Hedging reserve	19	–	158
Retained earnings		203,348	191,227
Total equity attributable to equity holders of the Company		534,902	448,241
Non-controlling interest		134,445	92,673
Total equity		669,347	540,914
Non-current liabilities			
Term loans	20	628,163	619,753
Loan due to Holding Company	21	78,000	106,000
Employees' end of service benefits	22	4,079	3,072
Accounts payable and accruals	23	1,485	4,190
Fair value of derivatives	29	–	726
		711,727	733,741
Current liabilities			
Accounts payable and accruals	23	54,287	84,947
Term loans	20	56,709	51,136
Loan due to Holding Company	21	28,000	28,000
Due to related parties	24	604	1,045
Income tax payable	10	20,192	14,567
Fair value of derivatives	29	1,359	1,887
		161,151	181,582
Total liabilities		872,878	915,323
Total equity and liabilities		1,542,225	1,456,237

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 February 2015 and signed on its behalf by:


Director

Director

The independent auditor's report is set out on page 53.

The attached notes on pages 60 to 97 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
Profit before income tax from continuing operations		74,467	63,623
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Charge on discontinuance of hedge accounting	9	(158)	2,116
Fair value changes of derivative financial instruments	9	(1,254)	(3,205)
Impairment losses on property, plant and equipment	7	4,000	–
Impairment loss on trade accounts receivables	7	4,528	4,839
Provision for employees end of service benefits	22	1,345	870
Profit on sale of property, plant and equipment	8	(19)	–
Finance income	9	(52)	(315)
Finance costs	9	65,121	45,444
Depreciation and amortisation		61,625	67,617
Amortisation of mobilisation		9,175	–
Advances write off		–	1,500
Working capital adjustments:			
Inventories		(136)	3,868
Marine vessels classified as inventories and sold during the year		7,898	2,795
Accounts receivables, prepayments and other assets		3,697	(17,451)
Accounts payable, accruals and other liabilities		(3,399)	(5,631)
Due from related parties		(372)	2,242
Due to related parties		–	(4,604)
Net cash generated from operations		226,466	163,708
Operating activities			
Income tax paid		(17,210)	(13,915)
Interest paid		(62,445)	(38,057)
End of service benefits paid	22	(338)	(442)
Net cash flows generated from operating activities		146,473	111,294
Investing activities			
Purchase of property, plant and equipment		(295,069)	(155,066)
Advance paid for vessels		(1,161)	(10,197)
Proceeds from disposal of property, plant and equipment		117	–
Change in long term receivable		–	(1,282)
Net movement in restricted cash		(2,000)	1,000
Net cash flows used in investing activities		(298,113)	(165,545)
Financing activities			
Funding from non-controlling interests		84,000	–
Loans borrowed		91,568	511,805
Loans paid		(83,811)	(281,569)
Loan due to Holding Company		–	–
Repayment of loan due to Holding Company		(28,000)	(32,784)
Dividends paid		(20,000)	–
Net cash flows generated from financing activities		43,757	197,452
Decrease in cash and cash equivalents		(107,883)	143,201
Cash and cash equivalents at 1 January		158,297	15,096
Less: Cash and cash equivalent at 1 January relating to related party		–	–
Cash and cash equivalents at 31 December	16	50,414	158,297

The independent auditor's report is set out on page 53.

The attached notes on pages 60 to 97 form 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 2014

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

	Attributable to Owners of the Company					Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Share premium US\$'000	Statutory reserve US\$'000	Hedging reserve US\$'000	Retained earnings US\$'000	Total US\$'000	
Balance at 1 January 2014	256,818	–	38	158	191,227	448,241	540,914
Profit for the year	–	–	–	–	32,121	32,121	52,096
Other comprehensive income (refer to note 9)	–	–	–	(158)	–	(158)	(158)
Total comprehensive income for the year	–	–	–	(158)	32,121	31,963	51,938
Transactions with the Owners of the Company							
Additional capital introduced	27,902	46,796	–	–	–	74,698	96,495
Dividend paid to Holding Company (refer to note 34)	–	–	–	–	(20,000)	(20,000)	(20,000)
Total transactions with the Owners of the Company	27,902	46,796	–	–	(20,000)	54,698	76,495
Balance at 31 December 2014	284,720	46,796	38	–	203,348	534,902	669,347

The independent auditor's report is set out on page 53.

The attached notes on pages 60 to 97 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1. Activities

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 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

i) Subsidiaries of Topaz Energy and Marine Limited (formerly Nico Middle East Limited)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
Topaz Energy and DMCC	United Arab Emirates	100%	100%	Ship management/Marine Services
Nico World II Limited	Vanuatu	100%	100%	Charter of marine vessels
Nico Far East Pte Limited	Singapore	100%	100%	Charter of marine vessels
TEAM I Limited	Vanuatu	100%	100%	Charter of marine vessels
TEAM II Limited (refer to note 2 (a))	St. Vincent	50%	100%	Charter of marine vessels
TEAM III Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM IV Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM V Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM VI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM VII Limited (refer to note 2 (a))	St. Vincent	50%	50%	Charter of marine vessels
TEAM VIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM IX Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM X Limited (refer to note 2 (f))	St. Vincent	50%	100%	Charter of marine vessels
TEAM XII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XV Limited (refer 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 XXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVII Limited (refer to note 2 (a))	Marshall Islands	50%	100%	Charter of marine vessels
TEAM XXVIII (refer to note 2 (a))	Marshall Islands	50%	100%	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

2. Subsidiaries and Jointly Controlled Entities (continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
TEAM XXXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVI Limited (refer to note 2 (d))	Marshall Islands	100%	–	Charter of marine vessels
TEAM XXXVII Limited (refer to note 2 (d))	Marshall Islands	100%	–	Charter of marine vessels
TEAM XXXVIII (refer to note 2 (d))	Marshall Islands	100%	–	Charter of marine vessels
TEAM XXXIX Limited (refer to note 2 (d))	Marshall Islands	100%	–	Charter of marine vessels
TEAM XL Limited (refer to note 2 (d))	Marshall Islands	100%	–	Charter of marine vessels
TEAM XLI Limited (refer to note 2 (d))	Marshall Islands	100%	–	Charter of marine vessels
TEAM XLII Limited (refer to note 2 (d))	Marshall Islands	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	St. Vincent	100%	100%	Operation services and technical support for ships
Flying Angel Limited (refer to note 2 (f))	St. Vincent	–	100%	Commercial financial lending and borrowing activities
Nemo Limited (refer to note 2 (f))	St. Vincent	–	100%	Commercial financial lending and borrowing activities
Topaz Khobar Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khuwair Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khalidiya Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karama Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karzakkan Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khubayb Limited	Marshall Islands	100%	100%	Charter of marine vessels
Ererson Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Heatberg Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Topaz Marine Limited	Bermuda	100%	100%	Charter of marine vessels
Topaz Marine S.A.	Luxembourg	100%	100%	Investment company
Topaz Marine Azerbaijan Limited	United Arab Emirates	100%	100%	Charter of marine vessels
Topaz Astrakhan Limited (refer to note 2 (d))	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Riverside PTY Limited (refer to note 2 (d))	Australia	100%	100%	Charter of marine vessels

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

2. Subsidiaries and Jointly Controlled Entities (continued)

ii) Subsidiaries of BUE Marine Limited

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
BUE Caspian Limited	Scotland	100%	100%	Vessel management
BUE Kazakhstan Limited	Scotland	100%	100%	Vessel management
BUE Cygnet Limited	Scotland	100%	100%	Vessel management
BUE Bulkers Limited	Scotland	100%	100%	Vessel management
BUE Shipping Limited	Scotland	100%	100%	Vessel management
Roosalka Shipping Limited	Scotland	100%	100%	Vessel management
BUE Aktau LLP	Kazakhstan	100%	100%	Vessel management
BUE Bautino LLP	Kazakhstan	100%	100%	Vessel management
Roosalka Shipping Limited	Cayman Islands	100%	100%	Dormant company
BH Islay Limited	Cayman Islands	–	100%	Dormant company
BUE Kyran Limited	Scotland	100%	100%	Vessel management
BUE Marine Turkmenistan Limited (refer to note 2 (f))	Scotland	100%	100%	Vessel management
XT Shipping Limited	Scotland	100%	100%	Vessel management
BUE Kashagan Limited	Cayman Islands	100%	–	Vessel management
BUE Maritime Services Limited	Scotland	100%	100%	Vessel management
River Till Shipping Limited	Scotland	100%	100%	Vessel management

iii) Subsidiaries of Topaz Doha Holdings II Limited

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
Doha Marine Services WLL	State of Qatar	49%	49%	Vessel management
DMS Marine SPC Formerly named DMS Jaya	State of Qatar	100%	100%	Charter of marine vessels

- a) Caspian Fortress Limited, Caspian Pride Limited, Caspian Baki Limited, Caspian Citadel Limited, Caspian Gala Limited, Caspian Server Limited, Caspian Breeze Limited, Caspian Power Limited, Caspian Protector Limited, Caspian Provider, Team VII, Team XV, Team XVII, Team XVIII, Caspian Islay, Caspian Jura, Team II, Team X, Team XXVII and Team XXVIII have been considered as subsidiaries as the Group is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities under management agreements with the respective shareholders.
- b) Topaz Marine Limited owns the entire issued share capital of Topaz Marine Azerbaijan Limited.
- c) BUE Caspian Limited owns the entire issued share capital of BUE Maritime Services Limited and BUE Marine Turkmenistan Limited, companies incorporated and registered in Scotland.
- d) Team XXXVI, Team XXXVII, Team XXXVIII, Team XXXIX, Team XL, Team XLI and Team XLII were incorporated in the current year for the purposes of charter of marine vessels. The Group owns the entire issued capital of these companies.
- e) The Group owns 49% of the shareholding in Doha Marine Services WLL ("DMS"), an entity incorporated in the State of Qatar. In addition to the above-mentioned 49% ownership interest, the Group also has a beneficial interest in a further 51% in DMS through its Holding Company. Accordingly, the Group 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.
- f) During the year, the Group has dissolved Flying Angel Limited and Nemo Limited.

3. Basis of Preparation

Statement of compliance

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

Basis of measurement

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

Functional currency and presentation currency

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

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

Use of estimates and judgements

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

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

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

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

4. Significant Accounting Policies

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

Basis of consolidation

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

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 the 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

4. Significant Accounting Policies (continued)

Joint arrangements

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

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and 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 re-measured to its fair value at the date when control is ceased, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-controlling interest

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

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

4. Significant Accounting Policies (continued)

Revenue recognition

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

Marine charter

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

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

Sale of vessels

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

Dividend

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

Finance income and expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in 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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

4. Significant Accounting Policies (continued)

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and are presented in the translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in translation reserve related to that foreign operation is reclassified to 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.

4. 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 revalued (from the date of latest revaluation)	10
Marine vessels acquired (including boats)	15 to 30
Expenditure on marine vessel dry docking (included as a component of marine vessels)	3

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

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

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

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

The Company disposes 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 is 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 two to three years.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

4. Significant Accounting Policies (continued)

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.

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.

a) Financial assets at fair value through profit or loss

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

4. Significant Accounting Policies (continued)

b) Loans and receivables

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

c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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’.

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

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

Offsetting

Financial assets and liabilities are offset and the net amount presented in the 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.

Derivative financial instruments, including hedge accounting

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

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

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

4. Significant Accounting Policies (continued)

Cash flow hedges

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

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

Other non-trading derivatives

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

Impairment

Financial assets

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

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

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

Non-financial assets

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

4. Significant Accounting Policies (continued)

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.

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.

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' end of service benefits

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

4. Significant Accounting Policies (continued)

Defined benefit plans

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

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

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

Short-term employee benefits

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

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

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

Leases

Group as a lessee

Leased asset

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Lease payments

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

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

Group as a lessor

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

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

4. Significant Accounting Policies (continued)

Dividends distribution

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

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2014

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and have an impact on the Group:

- IAS 32 (amendment), "Financial instruments: Presentation" (effective from 1 January 2014);
- IAS 36 (amendment), "Impairment of assets" (effective from 1 January 2014); and
- IAS 39 (amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2014).

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

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not yet early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Management is currently assessing the following standards and amendments which are likely to have an impact on the Group's financial statements:

- IFRS 9, "Financial instruments" (effective from 1 January 2018); and
- IFRS 15, "Revenue from contracts with customers" (effective from 1 January 2017)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

5. Determination of Fair Values

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

Forward exchange contracts and interest rate swaps

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Other non-derivative financial liabilities

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

6. Revenue

	2014 US\$'000	2013 US\$'000
Charter and other revenues from marine vessels	377,922	360,954
Income from mobilisation of marine vessels	10,200	7,794
Sale of marine vessels	16,500	7,698
	404,622	376,446

7. Impairment Losses

	2014 US\$'000	2013 US\$'000
Impairment loss on accounts receivable (refer to note 15)	4,528	4,839
Impairment loss on property, plant and equipment (refer to note 12)	4,000	–
	8,528	4,839

8. Other Income

	2014 US\$'000	2013 US\$'000
Unclaimed balances written back	53	129
Gain on disposal of property, plant and equipment	19	–
Miscellaneous income	354	1,763
	426	1,892

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

9. Finance Income and Costs

	2014 US\$'000	2013 US\$'000
Recognised in profit or loss		
Interest income	52	22
Exchange gain	–	293
Fair value changes of derivative financial instruments (refer to (i) below and note 29)	1,254	3,205
Charge on discontinuance of hedge accounting	158	(2,116)
Finance income	1,464	1,404
Interest expense	62,789	45,034
Exchange loss	2,332	410
Finance costs	65,121	45,444
Recognised in other comprehensive income		
Effective portion of changes in the fair value of cash flow hedges (refer to note 29)	–	160
Reclassification on discontinuance of hedge accounting (refer to note 29)	(158)	2,116
Finance income	(158)	2,276

(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 profit or loss.

10. Income Tax

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

	2014 US\$'000	2013 US\$'000
Current taxation		
Foreign tax	22,219	14,467
Corporation tax	616	1,703
Total current tax	22,835	16,170
Deferred tax		
Current year	(7)	2,278
Prior year	(457)	388
Total deferred tax	(464)	2,666
Tax expense for the year	22,371	18,836
Tax liabilities	20,192	14,567

The Group's consolidated effective tax rate is 30% for 2014 (2013: 30%).

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

	2014 US\$'000	2013 US\$'000
Profit before income tax of Group entities operating in taxable jurisdictions	59,712	46,950
Less: Non-taxable profits earned by these entities	(25,940)	(3,428)
Profit subject to tax included in the profit/(loss) for the year	33,772	43,522
Tax at the applicable average UK tax rate of 21.49% (2013: 26%) based on profits generated by Group entities registered in UK	7,258	10,119
Tax effect of expenses that are not deductible in determining taxable profit	123	134
Effect of different tax rates of subsidiaries operating in jurisdictions other than UK	15,185	8,195
Adjustment to prior year's tax payable	(195)	–
Prior year movement on deferred tax	–	114
Effect of change in rate of deferred tax recognition	–	274
Tax expense for the year	22,371	18,836

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

11. Profit for the Year

Profit for the year is stated after charging:

	2014 US\$'000	2013 US\$'000
Staff costs (all operations and administration staff costs)	105,545	101,127
Rental-operating leases	13,826	34,884
Depreciation (note 12)	61,547	55,686

Staff costs include personnel costs of all segments.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

12. Property, Plant and Equipment

Cost:	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 2013	3,760	13,196	1,184,202	950	28,033	1,230,141
Additions	–	1,286	138,386	186	59,125	198,983
Transfers	198	(225)	–	31	(4)	–
Transfer from related party	–	–	4,530	–	–	4,530
Disposals/write offs	–	(2)	(6,656)	(376)	–	(7,034)
At 31 December 2013	3,958	14,255	1,320,462	791	87,154	1,426,620
Additions	–	1,324	139,848	–	127,629	268,801
Transfers	–	(106)	149,821	106	(149,821)	–
Disposals/write offs	–	(2,230)	(15,347)	(57)	–	(17,634)
At 31 December 2014	3,958	13,243	1,594,784	840	64,962	1,677,787
Depreciation:						
At 1 January 2013	336	9,501	239,161	950	–	249,948
Charge for the year	160	1,572	53,860	94	–	55,686
Transfer	99	(130)	–	31	–	–
Relating to disposals/write offs	–	(3)	(3,861)	(376)	–	(4,240)
Amortisation of mobilisation costs	–	–	3,411	–	–	3,411
At 31 December 2013	595	10,940	292,571	699	–	304,805
Charge for the year	159	1,208	60,078	102	–	61,547
Impairment	–	–	4,000	–	–	4,000
Relating to disposals/write offs	–	(2,146)	(7,449)	(43)	–	(9,638)
Amortisation of mobilisation costs	–	–	2,517	–	–	2,517
At 31 December 2014	754	10,002	351,717	758	–	363,231
Net carrying amount						
At 31 December 2014	3,204	3,241	1,243,067	82	64,962	1,314,556
At 31 December 2013	3,363	3,315	1,027,891	92	87,154	1,121,815

Marine vessels with a net book value of USD 637,581 thousand (2013: USD 591,815 thousand) are pledged against bank loans obtained.

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

During the year, the Group has capitalised borrowing cost amounting to USD 3,732 thousand (2013: USD 2,217 thousand). Borrowing costs were capitalised at the weighted average rate of 9.2%.

During the year an impairment charge of USD 4,000 thousand has recognised for two marine vessels. (Refer to note 35).

The depreciation charge has been allocated as follows:

	2014 US\$'000	2013 US\$'000
Direct costs	60,643	54,770
Administrative expenses	904	916
	61,547	55,686

13. Intangible Assets and Goodwill

	2014			2013		
	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	592	26,766	26,174	672	26,846
Amortisation	–	(78)	(78)	–	(80)	(80)
At 31 December	26,174	514	26,688	26,174	592	26,766
Cost (gross carrying amount)	26,174	1,947	28,121	26,174	1,947	28,121
Accumulated amortisation	–	(1,433)	(1,433)	–	(1,355)	(1,355)
Net carrying amount	26,174	514	26,688	26,174	592	26,766

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:

	2014 US\$'000	2013 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 for value in use calculation in 2014 is 11.56% (2013: 11.32%).

Terminal value calculations

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

Growth rate

Growth rate used for value in use calculation in 2014 is 3% (2013: 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 2014, 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

14. Inventories

	2014 US\$'000	2013 US\$'000
Stores, spares and consumables	4,314	4280
Provision for slow-moving inventories	–	(102)
	4,314	4,178

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

At 1 January	102	550
Write-off during the period	(102)	(550)
Less: Transfer to related party	–	102
At 31 December	–	102

15. Accounts Receivable and Prepayments

	2014 US\$'000	2013 US\$'000
Trade accounts receivable	86,450	85,219
Allowance for impairment of receivable	(8,668)	(4,892)
	77,782	80,327
Deferred mobilisation costs	6,317	14,901
Value added tax (VAT) recoverable	1,619	5,265
Prepaid expenses	2,551	2,941
Advance to suppliers	4,845	1,944
Retention receivable	2,776	3,028
Receivable from non-controlling interests	12,700	–
Other receivables	4,892	6,573
	113,482	114,979
Less: Non-current portion of deferred mobilisation costs	(888)	(7,546)
	112,594	107,433

At 31 December 2014, trade receivables with a nominal value of USD 8,668 thousand (2013: USD 4,892 thousand) were impaired.

Movement in the allowance for impairment of receivables are as follows:

	2014 US\$'000	2013 US\$'000
At 1 January	4,892	4,705
Charge for the year (refer to note 7)	4,528	4,839
Amounts written off	(1,495)	(4,652)
Transfer	743	–
At 31 December	8,668	4,892

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

	2014 US\$'000	2013 US\$'000
GCC	14,988	13,847
Caspian	46,373	56,609
Others	16,421	9,871
At 31 December	77,782	80,327

15. Accounts Receivable and Prepayments (continued)

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

		Neither past due nor impaired US\$'000	Past due but not impaired				
			<30 days US\$'000	30-60 days US\$'000	60-90 days US\$'000	90-120 days US\$'000	>120 days US\$'000
2014	77,782	56,140	10,359	3,614	1,778	508	5,383
2013	80,327	56,763	6,199	3,639	1,954	1,498	10,274

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are, therefore, unsecured. 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.

16. Bank balances and cash

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

	2014 US\$'000	2013 US\$'000
Cash at bank		
– Deposits under lien (refer to (i) below)	13,000	11,000
– Current accounts	50,232	158,188
	63,232	169,188
Cash in hand	182	109
	63,414	169,297
Less: Deposits under lien	(13,000)	(11,000)
Cash and cash equivalents	50,414	158,297

(i) These represent restricted deposits with various commercial banks held under lien against term loans obtained by the Group and will be released upon the settlements of these loans. (Refer to note 20).

17. Share Capital

	2014 US\$'000	2013 US\$'000
Authorised		
400,000,000 shares of USD 1 each (2013: 400,000,000 shares of USD 1 each)	400,000	400,000
Issued and fully paid		
284,719,616 shares of USD 1 each (2013: 256,817,094 shares of USD 1 each)	284,720	256,818

In 2014, the Company entered into a Subscription Agreement, consisting the issue and sale of 27,902,522 common shares (from authorised but unissued capital stock) of the Company at a price of USD 2.68 per share for total proceeds of USD 75 million. As part of the sale of the shares, the parent company entered into a Shareholders Agreement, where the immediate parent and the ultimate parent 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 financial statements.

The proceeds of the private placement will be used by the Company to fund expansion plans, which includes the acquisition of additional vessels, mergers, acquisition and joint venture transactions, repayment of existing third party debt, repayment of shareholder loans and general corporate purposes at the Company or any of its subsidiaries.

Notes to the Consolidated Financial Statements (continued)

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18. Statutory Reserve

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

19. Hedging Reserve

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

During the year, in addition to the fair value changes of USD Nil (2013: USD 160 thousand), an amount of USD 158 thousand (2013: USD 2,116 thousand) was charged to the income statement due to the discontinuance of hedge accounting.

20. Term Loans

	2014 US\$'000	2013 US\$'000
\$350 million 8.625% Senior Notes due 2018	340,249	338,244
Term loan, at LIBOR plus 4.00% p.a. repayable by August 2017	129,824	162,595
Term loan, at LIBOR plus 3.75% p.a. repayable by June 2018	100,596	61,526
Term loan, at LIBOR plus 3.50% p.a. repayable by June 2020	45,610	51,933
Term loan, at LIBOR plus 2.65% p.a. repayable by July 2022	16,600	18,668
Term loan at 5.75% p.a. repayable by October 2017	14,511	17,261
Term loan, at LIBOR plus 3.95% p.a. repayable by October 2017	8,811	10,359
Term loan, at LIBOR plus 3.95% p.a. repayable by May 2018	8,671	10,303
Term loan, at LIBOR plus 3.75% p.a. repayable by October 2016	20,000	–
Current portion	684,872 (56,709)	670,889 (51,136)
Non-current portion	628,163	619,753

- (i) On 4 November 2013 the Group issued USD 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 twelve month period beginning 1 November 2016, 102.15625% for the twelve month period beginning 1 November 2017 and 100% beginning 1 October 2018, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Nico Middle East Ltd., incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Global Exchange Market of the Irish Stock Exchange.

In conjunction with the Senior Notes offering, USD 12.06 million in debt issuance cost was incurred and has been accounted as per IFRS and will be amortised into finance cost over the life of the Senior Notes using the effective interest basis. USD 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 vessels. The Group recognised a loss on extinguishment of debt of USD 2.4 million in 2013 in relation to the prepayment of these bank borrowings. The amount is included as part of finance cost in the consolidated statement of comprehensive income.

20. Term Loans (continued)

- (ii) The term loans of the Group are denominated either in USD or AED and are secured by a first preferred mortgage over selective assets of the Group, the assignment of marine vessel insurance policies, corporate guarantees, lien on fixed deposits and the assignment of the marine vessel charter lease income. (Refer to notes 12 and 16).

The term and Senior Notes are repayable as follows:

	2014 US\$'000	2013 US\$'000
Due within one year	56,709	51,136
Due between two to five years	608,908	594,680
Due after five years	19,255	25,073
	684,872	670,889

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

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

21. Loan Due to Holding Company

	2014 US\$'000	2013 US\$'000
Term loan at 7% p.a. repayable by November 2019 (refer to (i) below)	28,000	30,000
Term loan at 8.50% p.a. repayable by September 2017 (refer to (ii) below)	78,000	104,000
	106,000	134,000
Current portion	(28,000)	(28,000)
Non-current portion	78,000	106,000
The loan is repayable as follows:		
Due within one year	28,000	28,000
Due between two to five years	78,000	86,000
Due after five years	–	20,000
	106,000	134,000

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

Notes to the Consolidated Financial Statements (continued)

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22. Employees' End of Service Benefits

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

Principal actuarial assumptions at the reporting date are as follows:

- Normal retirement age: 60-65 years
- Mortality, withdrawal and retirement: 5% turnover rate. Due to the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used for maturity, withdrawal and retirement.
- Discount rate: 4.27% p.a.
- Salary increases: 3%-5% p.a.

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

	2014 US\$'000	2013 US\$'000
At 1 January	3,072	2,593
Provided during the year	1,345	870
End of service benefits paid	(338)	(442)
Transfer to a related party	–	51
At 31 December	4,079	3,072

23. Accounts Payable and Accruals

	2014 US\$'000	2013 US\$'000
Current		
Trade accounts payables	13,234	44,577
Accrued expenses	26,069	26,065
Advance from customers	1,552	1,156
Deferred income	4,888	5,095
Other payables	8,544	8,054
	54,287	84,947
Non-current		
Deferred income	1,485	4,190
	1,485	4,190

24. Related Party Transactions

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

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

	2014 Revenue US\$'000	2014 Purchases US\$'000	2013 Revenue US\$'000	2013 Purchases US\$'000
Related parties	–	–	–	865

Compensation of key management personnel

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

	2014 US\$'000	2013 US\$'000
Short term benefits	3,189	2,543
Employees' end of service benefits	102	77
	3,291	2,620
Due from related parties		
Directors	1	72
Topaz Engineering Ltd	16,922	16,943
Topaz Energy and Marine Plc, UK	271	83
Tawoos	9	–
	17,203	17,098
Due to related parties		
Renaissance Services SAOG	604	750
Others	–	295
	604	1,045

25. Deferred Tax Asset

	2014 US\$'000	2013 US\$'000
At 1 January	2,104	4,770
Credit/(Debit) to profit or loss	464	(2,666)
At 31 December	2,568	2,104

The deferred tax balance at 31 December 2014 comprises depreciation in excess of capital allowances of USD 1,818 thousand (2013: USD 1,446 thousand) and short-term temporary differences of USD 750 thousand (2013: USD 658 thousand).

The UK corporation tax rate will reduce from 28% to 20% over a period of four years from 2011. The next reduction in the UK corporation tax rate from 21% to 20% is effective from 1 April 2015. As the rate change from 21% to 20% had been substantively enacted before the balance sheet date, deferred tax is recognised at a rate of 20%. (Refer to note 10).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

26. Contingencies and Claims

Contingent liabilities

	2014 US\$'000	2013 US\$'000
Letters of credit	–	1,011
Letters of guarantee	26,562	16,854
	26,562	17,865

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

27. Non-Cancellable Leases

a) Operating leases – receivable

The Group leases its marine vessels under operating leases. The leases typically run for a period between three 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:

	2014 US\$'000	2013 US\$'000
Within one year	230,199	265,672
Between one and five years	218,947	292,970
More than five years	14,746	63,527
	463,892	622,169

b) Operating leases – payable

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

	2014 US\$'000	2013 US\$'000
Within one year	152	48,079
Between one and five years	363	76,543
More than five years	–	10,803
	515	135,425

During the year ended 31 December 2014 an amount of USD 13,826 thousand (2013: USD 34,884 thousand) was recognised as an expense in profit or loss in respect of bareboat charter of marine vessels obtained on operating lease.

28. Commitments

	2014 US\$'000	2013 US\$'000
Capital expenditure commitment: Purchase of marine vessels	25,540	134,592

The Group has paid its prior year expenditure commitments in relation to the acquisition of two vessels which are capitalised as property, plant and equipment during the year ended 31 December 2014.

29. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Notional amounts by term to maturity				
	Negative fair value US\$'000	Notional amount total US\$'000	Within 1 year US\$'000	Between 1 year to 5 years US\$'000	Over 5 years US\$'000
31 December 2014					
Interest rate swaps	1,359	118,145	29,677	88,468	–
31 December 2013					
Interest rate swaps	2,613	147,822	29,677	118,145	–

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

- An amount USD 30,520 thousand (2013: USD 38,360 thousand) at a fixed margin of 2.5% (2013: 2.5%) p.a., excluding margin;
- An amount of USD 57,221 thousand (2013: USD 68,002 thousand) at the rate of 0.83% (2013: 0.83%) p.a., excluding margin.
- An amount of USD 3,438 thousand (2013: USD 4,687 thousand) at the rate of 3.25% (2013: 3.25%) p.a., excluding margin; and
- An amount of USD 26,966 thousand (2013: USD 36,772 thousand) at the rate of 1.97% (2013: 1.97%) p.a., excluding margin.

At 31 December 2014 the six months US LIBOR was approximately 0.34% (2013: 0.35%) p.a. Accordingly, the gap between US LIBOR and fixed rate under IRS was approximately 2.16%, 2.91%, 1.63%, and 0.49% (2013: approximately 2.15%, 2.9%, 2.74%, 1.62% and 0.48%) p.a.

Based on the interest rates gap, over the life of the IRS, the indicative losses were assessed at approximately USD 1,359 thousand (2013: USD 2,613 thousand) by the counter parties to IRS. Consequently, in order to comply with IAS 39 "Financial Instruments: Recognition and Measurement" the fair value of the derivative instruments' indicative losses approximately USD 1,359 thousand (2013: USD 2,613 thousand) has been recorded under current and non-current liabilities and the impact for the year amounting to USD 1,412 thousand (2013: USD 1,089 thousand) has been recorded under finance income (refer to note 9) and USD 158 thousand (2013: USD 2,276 thousand) has been recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

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30. Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

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

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivable from customers, retention and other receivables, due from related parties, long-term receivables and balances with bank.

30. 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 22% (2013: 19%) of the Group's revenue is attributable to sales transactions with a single customer. The Group's ten largest customers account for 52% (2013: 66%) of the outstanding trade accounts receivable as at 31 December 2014. 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:

	2014 US\$'000	2013 US\$'000
Trade accounts receivable, net	77,782	80,327
Other receivables and accrued income	24,910	18,726
Due from related parties	17,203	17,098
Cash at bank	63,232	169,188
	183,127	285,339

Notes to the Consolidated Financial Statements (continued)

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30. 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 2014, the Group had the following undrawn facilities of USD 40.0 million (2013: USD 20.4 million) and a bank overdraft facility of USD 10.0 million (2013: USD 8 million).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014, based on contractual undiscounted payments.

	Carrying amount US\$'000	Contractual cash flows			
		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 2014	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-derivative financial liabilities					
Accounts payables and accruals	47,829	(47,829)	(47,829)	–	–
Term loans	684,872	(820,679)	(94,257)	(722,786)	(3,636)
Loan due to Holding Company	106,000	(126,318)	(36,244)	(90,074)	–
Due to related parties	604	(604)	(604)	–	–
Total	839,305	(995,430)	(178,934)	(812,860)	(3,636)

		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 2013					
Non-derivative financial liabilities					
Accounts payables and accruals	78,696	(78,696)	(78,696)	–	–
Term loans	670,889	(892,261)	(95,298)	(767,256)	(29,707)
Loan due to Holding Company	134,000	(164,928)	(38,610)	(105,152)	(21,166)
Due to related parties	963	(963)	(963)	–	–
Total	884,548	(1,136,848)	(213,567)	(872,408)	(50,873)

Market risk

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

30. 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 2014, after taking into account the effect of interest rate swaps, approximately 74% of the Group's borrowings are at a fixed rate of interest (2013: 79%) of which 7% (2013: 8%) are linked to hedging instruments designated as such in accordance with IFRS.

Profile

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

	Carrying amount	
	2014 US\$'000	2013 US\$'000
Fixed rate instruments		
Financial assets	13,182	11,000
Financial liabilities	(460,760)	(489,504)
Variable rate instruments		
Financial liabilities	(330,113)	(315,385)

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 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 2013.

	Profit or loss		Equity	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp Decrease US\$'000
31 December 2014				
Variable rate instruments	(3,301)	3,301	(3,301)	3,301
31 December 2013				
Variable rate instruments	(3,153)	3,153	(3,153)	3,153

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

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

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

	EUR	AZN	KZT	RUB	GBP	NOK	NGN	JPY	SGD
31 December 2014									
Bank balances	16	57	8,758	199,645	13	–	160,826	–	–
Trade accounts payables	(1,091)	(1,031)	(117,111)	(112)	(118)	(2,163)	(17,791)	(3,306)	(297)
Net statement of financial position exposure	(1,075)	(974)	(108,353)	199,533	(105)	(2,163)	143,035	(3,306)	(297)
31 December 2013									
Bank balances	53	49	17,392	1,117	68	–	–	–	11
Trade accounts payables	(652)	(1,542)	(66)	–	(341)	(2,335)	–	(227)	–
Net statement of financial position exposure	(599)	(1,493)	17,326	1,117	(273)	(2,335)	–	(227)	11

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
Euro (EUR)	0.753	0.742	0.823	0.727
Azerbaijan New Manat (AZN)	0.784	0.784	0.784	0.784
Kazakhstan Tenge (KZT)	177.44	153.52	180.32	156.740
Russian Rouble (RUB)	38.42	31.84	56.45	32.77
Great Britain Pound (GBP)	0.607	0.611	0.644	0.604
Norwegian Kroner (NOK)	6.299	5.801	7.436	6.019
Japanese Yen (JPY)	105.84	95.56	120.00	105.23
Singapore dollars (SGD)	1.267	1.243	1.323	1.263
Nigerian Naira (NGN)	163.59	157.50	180.98	159.54

30. Risk Management (continued)

Sensitivity analysis

A strengthening of the USD, as indicated below, against the Euro, Azerbaijan New Manat, Kazakhstan Tenge, Great Britain Pound, Norwegian Kroner, Japanese Yen and Singapore Dollars at 31 December would have increased (decreased) the consolidated statement of comprehensive income 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 2013.

	Effect on profit before tax	
	Strengthening by 5% US\$'000	Weakening by 5% US\$'000
2014		
Euro (EUR)	66	(66)
Azerbaijan New Manat (AZN)	65	(65)
Great Britain Pound (GBP)	9	(9)
Kazakhstan Tenge (KZT)	32	(32)
Norwegian Kroner (NOK)	14	(14)
Singapore dollars (SGD)	11	(11)
Nigerian Naira (NGN)	(39)	39

	Effect on profit before tax	
	Strengthening by 5% US\$'000	Weakening by 5% US\$'000
2013		
Euro (EUR)	45	(45)
Azerbaijan New Manat (AZN)	98	(98)
Kazakhstan Tenge (KZT)	–	–
Great Britain Pound (GBP)	28	(28)
Norwegian Kroner (NOK)	19	(19)
Singapore dollars (SGD)	–	–

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

	2014 US\$'000	2013 US\$'000
Interest-bearing loans and borrowings	790,872	804,889
Less: cash and short term deposits	(63,414)	(169,297)
Net debt	727,458	635,592
Equity	669,347	540,913
Add: cash flow hedge reserve included in equity	–	(158)
Adjusted equity	669,347	540,755
Capital and net debt	1,396,805	1,176,347
Gearing ratio	52.08%	54.03%

There were no changes in the Group's approach to capital management during the year. As disclosed in note 20, the Group is subject to certain financial covenants from its borrowing arrangements.

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

31. Fair Values of Financial Instruments

Financial instruments comprise financial assets and financial liabilities.

The fair value of derivatives is set out in note 29. The fair values of other financial instruments are not materially different from their carrying values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2014				
Derivative financial liabilities	–	1,359	–	1,359
31 December 2013				
Derivative financial liabilities	–	2,613	–	2,613

32. 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:

- MENA
- Global
- Caspian

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

32. Operating Segments (continued)

The following table presents segmental information about these businesses:

Operating segment 2014

	Caspian US\$'000	Mena US\$'000	Global US\$'000	Corporate US\$'000	Elimination US\$'000	Total US\$'000
Revenue	223,478	100,906	81,516		(1,278)	404,622
Direct costs	(104,264)	(60,749)	(52,974)	(291)	1,027	(219,201)
Gross profit (loss)/segment results	119,214	40,157	28,542	(291)	(251)	185,421
Administrative expenses	(15,768)	(9,312)	(5,411)	(10,654)	–	(41,145)
Impairment loss on account receivable	–	(240)	(8,288)	–	–	(8,528)
Other income	219	37	151	19	–	426
Finance costs, net	(36,002)	(7,579)	(13,087)	(6,989)	–	(63,657)
Income tax expense	(15,809)	(3,680)	(3,033)	151	–	(22,371)
Profit/(loss) for the year	51,854	19,383	(1,126)	(17,764)	(251)	52,096
Depreciation and amortisation	31,587	15,103	14,279	405	251	61,626
Assets	823,144	279,471	313,721	99,880	26,009	1,542,225
Liabilities	390,501	121,471	53,143	308,618	(855)	872,878

Operating segment 2013

	Caspian US\$'000	Mena US\$'000	Global US\$'000	Corporate US\$'000	Elimination US\$'000	Total US\$'000
Revenue	227,640	93,633	59,298	–	(4,125)	376,446
Direct costs	(130,026)	(57,115)	(45,307)	(1,467)	3,400	(230,515)
Gross profit (loss)/segment results	97,614	36,518	13,991	(1,467)	(725)	145,931
Administrative expenses	(14,625)	(8,702)	(3,419)	(8,575)	–	(35,321)
Impairment loss on account receivable	–	(1,234)	(3,605)	–	–	(4,839)
Other income	305	567	1,020	–	–	1,892
Finance costs, net	(19,246)	(9,773)	(7,192)	(7,829)	–	(44,040)
Income tax expense	(15,251)	(2,510)	(1,075)	–	–	(18,836)
Profit/(loss) for the year	48,797	14,866	(280)	(17,871)	(725)	44,787
Depreciation and amortisation	29,810	16,076	9,379	338	160	55,763
Assets	770,427	355,333	189,017	123,601	17,545	1,455,923
Liabilities	230,221	146,372	54,816	486,197	(2,608)	914,998

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

33. Key Sources of Estimation Uncertainty

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was USD 26,174 thousand (2013: USD 26,174 thousand). (Also refer to note 13.)

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2014 was USD 1,243,067 thousand (2013: USD 1,027,891 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 five years based on the expected utilisation rates of the individual vessels. Cash flows beyond five-year period are estimate using a nil growth rate. The growth rate does not exceed the long-term average growth rate for marine business in which the CGU operates.

If the estimated cost of capital used in determining the pre-tax discount rate for the marine vessel impairment assessments had been 1% higher than management's estimates, the Group would have recognised a further impairment against marine vessels of USD 410 thousand.

If the estimated utilisation rates and charter rates used in determining the cash flows had been lower than the management's estimates by 1%, each taken in isolation, the Group would have recognised a further impairment against marine vessels of USD 570 thousand and USD 1,330 thousand, respectively.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were USD 86,450 thousand (2013: USD 85,219 thousand) and the provision for doubtful debts was USD 8,668 thousand (2013: USD 4,892 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 USD 4,314 thousand (2013: USD 4,280 thousand) with provisions for old and obsolete inventories of USD Nil (2013: USD 102 thousand). Any difference between the amounts actually realised in future periods and the amounts provided will be recognised in the consolidated income statement. (Also refer to note 14.)

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

The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where the 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.

33. Key Sources of Estimation Uncertainty (continued)

Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument.

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 4).

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.

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

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

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

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

Current and non-current classification of bank borrowings

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

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

34. Dividends

The dividend paid in 2014 for the year ended 31 December 2013 was USD 20 million (USD 0.08 per share).

At a meeting of the Board of Directors held on 18 February 2015, the Board proposed a dividend of USD 22 million for the year ended 31 December 2014.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2014

35. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 is based on the profit attributable to the shareholders of the Company of USD 32,121 thousand (2013: profit attributable to shareholders of the Company of USD 25,563 thousand) and a weighted average number of ordinary shares outstanding of 263,392 thousand (2013: 256,817 thousand).

36. Summarised Financial Information on Subsidiaries with Material Non-Controlling Interests

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

Summarised statement of financial position

	2014 US\$'000	2013 US\$'000
Current		
Assets	58,826	12,568
Liabilities	209,644	153,608
Total current net assets	(150,818)	(141,040)
Non-current		
Assets	535,545	458,604
Liabilities	141,679	132,133
Total non-current net assets	393,866	326,471
Net assets	243,048	185,431

Summarised statement of comprehensive income

	2014 US\$'000	2013 US\$'000
Revenue	97,257	72,926
Profit before income tax	40,566	38,823
Income tax expense/benefit	(575)	(290)
Profit for the year from continuing operations	39,991	38,533
Profit for the year from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income for the year	39,991	38,533
Total comprehensive income allocated to non-controlling interests	19,975	19,224
Dividends paid to non-controlling interests	–	–

Summarised statement of cash flows

	2014 US\$'000	2013 US\$'000
Cash flows from operating activities		
Cash generated from operations	103,024	184,839
Income taxes paid	(575)	(290)
Interest paid	(27,757)	(12,283)
End of service benefits paid	–	–
Net cash generated from operating activities	74,692	172,266
Net cash used in investing activities	(97,273)	(187,096)
Net cash used in financing activities	24,264	16,783
Net (decrease)/increase in cash and cash equivalents	1,683	1,953
Cash and cash equivalents at 1 January	12,267	10,314
Cash and cash equivalents at 31 December	13,949	12,267

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

37. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

	Notes	2014 US\$'000	2013 US\$'000
Loans and receivables			
Current			
Trade and other receivables (excluding prepayments and advances)	15	96,802	88,370
Due from related parties	24	17,203	17,098
Bank balances and cash	16	63,414	169,297
		177,419	274,765
Other financial liabilities at amortised cost			
Non-current			
Term loans	22	628,163	619,753
Loan due to Holding Company	23	78,000	106,000
		706,163	725,753
Current			
Trade and other payables (excluding deferred income and advance from customers)	25	47,988	78,696
Term loans	22	56,709	51,136
Loan due to Holding Company	23	28,000	28,000
Due to related parties	26	604	1,045
		133,301	158,877
Total		839,464	884,630
Liabilities at fair value through profit and loss			
Non-current			
Derivative financial instruments	31	–	726
Current			
Derivative financial instruments	31	1,359	1,887
Total		1,359	2,613

38. Comparative Figures

Certain comparative figures in the consolidated statement of cash flows have been reclassified in order to conform to current year presentation. However, the net cash flows generated from operating, investing and financing activities have not been affected.

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

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

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

Dynamic positioning or DP

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)

ERM

Enterprise 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)

Ice-breaking vessel

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

IOC

International Oil Company

ISO

International Organization for Standardization

KPI

Key Performance Indicator

LTI (Lost Time Injuries)

All accidental injuries 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, that results in a person being unfit for work on the next shift/day while a Restricted Work Day case is any work-related injury other than a Fatality or Lost Work Day case that results in a person being unfit for full performance of a regular job on the shift/day after the injury.

LTI_f (Lost Time Injuries frequency)

The number of LTIs occurring per one million man hours worked

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

Mmbpd

Million barrels of oil per day

Mobilisation

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

MPSVs (Multi-Purpose Support Vessels)

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

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

Oilfield/field

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

Net profit

Profit after all operating and admin 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, accommodation for offshore workers

OSVs (Offshore Support Vessels)

When referring to the Topaz fleet, include: AHTSVs, PSVs, MPSVs, ERRVs, specialised barges, crew boats and other vessels

PSVs (Platform Supply Vessels)

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

QHSSE

Quality, Health, Safety, Security and Environment

RONA

Return on Net Assets

ROV (Remotely Operated Underwater Vessel)

A tethered underwater vehicle, common in deep-water, offshore oil and gas extraction

Shallow water

Water at a depth of less than 1,000 feet

Subsea

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

Trenching

Digging trenches for laying pipes or cables

Tug

A small powerful boat designed for towing or pushing larger vessels

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

Awards and Accolades

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

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