



CORPORATE PRESENTATION FOR TOPAZ GROUP

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FORWARD-LOOKING STATEMENTS

This corporate presentation dated July 12, 2017 (the “Corporate Presentation”) contains forward-looking statements within the meaning of the U.S. federal securities laws regarding future financial performance and results and other statements that are not historical facts. The words “believe,” “anticipate,” “plan,” “expect,” “project,” “estimate,” “predict,” “intend,” “target,” “assume,” “may,” “could,” “should,” “will” and similar expressions, or the negatives of these expressions, are intended to identify such forward-looking statements. In addition, all statements other than statements of historical fact included in this Corporate Presentation, including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, if any, may be deemed to be forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Such forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause our actual results, business, financial condition, results of operations, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those more fully described in “*Risk Factors*” and elsewhere in this Corporate Presentation. The risks and uncertainties we face going forward which could affect the accuracy of these forward-looking statements include, but are not limited to:

- our dependence on the level of expenditure in the oil and gas industries;
- economic, political and other conditions in the countries in which we operate, or may operate in the future;
- our ability to win new contracts, and to renew and extend existing contracts;
- our reliance on existing contracts and the fact that contracts are subject to early termination, nonrenewal, variation, alternative interpretation or renegotiation;
- our reliance on a small number of key clients and contracts;
- delays in providing services to our clients;
- increases in the costs of fulfilling our contractual obligations;
- our ability to fully realize our backlog;
- our ability to execute our growth strategy effectively or to successfully integrate acquired operations;
- our ability to maintain our competitive position;
- potential reduced charter rates and earnings in the event of increased supply of offshore support vessels;
- our ability to raise capital on favorable terms or at all;
- our ability to successfully integrate acquisitions;
- inherent risks in operating offshore, such as dangerous weather and sea conditions;
- our ability to attract and retain qualified personnel and senior management;
- our exposure to credit and other risks from our concentrated customer base in the oil and gas industry;
- actions of local partners and third parties, including subcontractors, manufacturers and particularly joint venture partners, with whom our joint ventures may be concentrated;
- our ability to dispose of assets on terms favorable to us;
- fluctuation of our operating and maintenance costs in relation to changes in operating revenues;
- the service life of vessels and demand for vessel classes;

- various changing laws, regulations and standards, including anti-corruption and local laws, and costs associated with complying with those laws;
- compliance costs and potential liabilities as a result of the strict environmental regimes within which we operate;
- discretion exercised by regulatory authorities;
- our ability to obtain appropriate and timely certifications for our offshore vessels;
- complaints from clients and other third parties and potential litigation;
- intellectual property infringement;
- the failure of our insurance policies to fully cover potential losses;
- interest and exchange rate fluctuations;
- our exposure to nonpayment by our clients;
- changes in fiscal regimes and our ability to comply with transfer pricing regulations;
- the tax laws in the countries in which we operate or changes thereto or to our tax profile;
- the interests of our shareholders; and
- other factors beyond our control.

The risks described in the “*Risk Factors*” section of this Corporate Presentation are not exhaustive. Other sections of this Corporate Presentation describe additional factors that could adversely affect our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. We may face new risks from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

In addition, the section entitled “*Industry Overview*” in this Corporate Presentation contains forecasts for the offshore support vessel (“**OSV**”) industry based on the Westwood Global Energy Group Report (as defined herein). Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data. These forecasts are subject to the factors, risks and uncertainties identified above and may be deemed to be forward-looking statements.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, our actual results, business, financial condition, results of operations, performance or achievements or industry results may vary materially from those indicated. We therefore caution investors and prospective investors against relying on any of these forward-looking statements. In addition, except as required by law or regulation, we assume no obligation to update such forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in such forward-looking statements.

The inclusion of forecasts in this Corporate Presentation should not be viewed as a representation by us, Westwood Global Energy Group or any other person that these assumptions will be realized, in whole or in part, or that these assumptions will be predictive of future results. Prospective investors should not place undue reliance on the forecasts and should make their own independent assessment of our future prospects and the risks relating to the OSV industry or the markets in which we operate.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Topaz Energy and Marine Limited

Topaz Energy and Marine Limited (“**Company**”) was formed under the laws of Bermuda as an exempted company on September 3, 1982. The Company is majority-owned by Topaz Energy & Marine Limited (“**Parent**”), an offshore company registered in the Jebel Ali Free Zone of Dubai, United Arab Emirates. Standard Chartered Private Equity Limited (“**SCPE**”) and Standard Topaz Limited (“**STL**”) each holds a minority position in the Company. For further details, see “*Principal Shareholders.*” In this Corporate Presentation, we refer to, and present financial information for, the Company and its subsidiaries (the “**Group**”).

Financial Statements

This Corporate Presentation presents the following financial information:

- the audited consolidated financial statements of the Group as of and for the years ended December 31, 2014 and December 31, 2015, which have been audited by PricewaterhouseCoopers – Dubai branch and prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (“**IFRS**”) and the independent auditor’s reports thereon;
- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016, which have been audited by Deloitte & Touche (M.E.) and prepared in accordance with IFRS and the auditor’s report thereon; and
- the unaudited interim condensed consolidated financial information of the Group as of and for the three months ended March 31, 2017 which has been prepared in accordance with International Accounting Standards 34 (“**IAS 34**”), “Interim Financial Reporting” as issued by the International Accounting Standards Board (“**IASB**”).

The preparation of financial statements in conformity with IFRS requires us to use certain critical accounting estimates. It also requires our board of directors to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies.*”

IFRS differs in certain material respects from U.S. generally accepted accounting principles (“**U.S. GAAP**”). Consequently, the audited consolidated financial statements and the condensed consolidated interim financial statements included herein are not comparable with the financial statements of companies prepared in accordance with U.S. GAAP. This Corporate Presentation does not include an explanation of the differences or reconciliation between IFRS and U.S. GAAP.

Our financial statements are presented in U.S. dollars rounded to the nearest thousand. Our financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

Except as otherwise indicated, in the context of discussing our geographic sales revenue information, the following terms have the following meanings:

- References to “**Caspian**,” the “**Caspian Sea**” or the “**Caspian region**” are to Azerbaijan, Kazakhstan (other than the TCO Future Growth Project), Turkmenistan and the Russian sector of the Caspian Sea;
- References to “**MENA and Subsea**” are to the Kingdom of Saudi Arabia, the UAE, Kuwait, Qatar, Oman and other Middle East producers and our Subsea operations;
- References to “**Africa**” are to Nigeria, Angola, Republic of Congo, Senegal, Ivory Coast and Ghana; and
- References to “**Topaz Solutions**” are to our transportation services into Western Kazakhstan, including the TCO Future Growth Project.

In addition to the above, this Corporate Presentation includes certain unaudited consolidated financial data, as well as certain other operating information, for the twelve months ended March 31, 2017. The financial data of the Group for the twelve months ended March 31, 2017 has been derived by taking, without adjustments, the results of the year

ended December 31, 2016 and subtracting the results for the three months ended March 31, 2016 and then adding the results for the three months ended March 31, 2017. The financial data of the Group for the twelve months ended March 31, 2017 has been prepared for illustrative purposes only and is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed. Such financial data is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

Joint Ventures

We are party to several joint ventures that we control. As a result of our operational and financial control of the joint ventures, we consolidate the results of these entities into our financial statements and results of operations, including our consolidated EBITDA. If, in the future, we cease to control a particular joint venture, we expect that we will no longer consolidate such joint venture into our results.

Revenue, EBITDA and Cash Flows from the TCO Contract

In connection with the TCO Future Growth Project, our agreement with TCO provides for payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company's balance sheet. The charter revenue generated by the Company during the operation of each vessel will include both a cash and non-cash component (the latter evenly reducing the liability incurred by the Company during the construction phase of each vessel). Therefore, the TCO contract is estimated to have a significant positive impact on our revenue and EBITDA and a more limited positive impact on our cash flow. See *"Overview of Topaz—TCO Future Growth Project"* for additional information.

Non-IFRS Financial Measures

This Corporate Presentation contains certain financial measures and ratios which are not measures or ratios within the scope of IFRS. These measures and ratios include EBITDA, EBITDA Margin, cash flow conversion, gross debt and net debt:

- **"EBITDA"** is profit/(loss) before income tax for the period less any finance income, plus impairment losses on vessels, depreciation and amortization and finance costs.
- **"EBITDA Margin"** is EBITDA divided by revenue.
- **"Cash flow conversion"** is EBITDA less maintenance capital expenditure, divided by EBITDA.
- **"Cash flow available for debt service before growth capital expenditure"** is EBITDA less change in working capital, taxes paid, maintenance capital expenditure and dividends paid to noncontrolling interests.
- **"Change in working capital"** is the net change in our current assets and current liabilities between periods.
- **"Estimated Illustrative EBITDA"** is the estimated contribution to EBITDA anticipated from the TCO Future Growth Project as if the 20 MCVs had been fully operational and performing their daily services under the TCO contract since April 1, 2016. See *"Overview of Topaz—TCO Future Growth Project"* for further details regarding the estimates and assumptions used to calculate Estimated Illustrative EBITDA.
- **"Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project"** represents our estimated total cash flow from the TCO Future Growth Project as if the 20 MCVs had been fully operational and performing their daily services under the TCO contract since April 1, 2016. See *"Overview of Topaz—TCO Future Growth Project"* for further details regarding the estimates and assumptions used to calculate Estimated Illustrative Operating Cash Flow from TCO Future Growth Project.
- **"Estimated Illustrative Revenue"** is revenue adjusted to give effect to the estimated revenue anticipated from the TCO Future Growth Project as if the 20 MCVs had been fully operational and performing their daily services under the TCO contract since April 1, 2016. See *"Overview of Topaz—TCO Future Growth Project"* for further details regarding the estimates and assumptions used to calculate Estimated Illustrative Revenue.
- **"Gross debt"** is total liabilities less accounts payable and accruals, due to related parties, income tax payable, employee's end of service benefits and fair value of derivatives plus unamortized loan transaction costs.

- “**Growth capital expenditure**” is the amount of capital expenditure spent on the acquisition of new vessels during the period.
- “**Maintenance capital expenditure**” is the amount of capital expenditure spent on the maintenance, upgrades and upkeep on our vessels to satisfy the vessel class and quality standards.
- “**Net debt**” is gross debt less cash and cash equivalents.

The above metrics reflect our joint ventures in which we maintain a controlling interest on a consolidated basis.

EBITDA, EBITDA Margin, Cash Flow Conversion and Cash Flow Available for Debt Service Before Growth Capital Expenditure

EBITDA, EBITDA Margin, cash flow conversion and cash flow available for debt service before growth capital expenditure are non-IFRS financial measures.

We believe that EBITDA is a valuable indicator of our operating performance. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or “EBITDA multiple” that is based on the observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a company.

EBITDA, EBITDA Margin, cash flow conversion and cash flow available for debt service before growth capital expenditure are intended to provide additional information to investors and analysts, do not have any standardized meaning prescribed by IFRS and should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. Other companies, including the Company’s competitors and industry peers, may calculate EBITDA, EBITDA Margin, cash flow conversion and cash flow available for debt service before growth capital expenditure on a different basis, which may differ materially from the similarly titled measures reported by the Group.

In this Corporate Presentation, we also present EBITDA for the last twelve months ended March 31, 2017 by category of ship in our existing fleet and by operating division.

In this Corporate Presentation, we disclose our Estimated Illustrative Revenue, Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project and Estimated Illustrative EBITDA in connection with the TCO Future Growth Project. In calculating our Estimated Illustrative Revenue, Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project and Estimated Illustrative EBITDA, we have made assumptions and estimates with respect to our expected utilization and our cost base, among other factors. The assumptions and estimates underlying our Estimated Illustrative Revenue, Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project and Estimated Illustrative EBITDA are inherently uncertain and subject to significant business, economic, financial, regulatory and competitive risks and uncertainties that could cause our actual revenue, cash generated from operations and EBITDA to differ materially from our estimates. Furthermore, the large majority of the charter revenue generated by the TCO Future Growth Project will be used to evenly reduce the liability created by TCO’s payments during vessel construction and thus will have a more limited positive impact on our cash flow. For these reasons, investors should not place undue reliance on our Estimated Illustrative Revenue, Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project and Estimated Illustrative EBITDA in connection with the TCO Future Growth Project as measures of liquidity or future cash generation. See “—Revenue, EBITDA and Cash Flows from the TCO Contract,” “Risk Factors—Risks Related to Our Business and Industry—Our existing contracts and backlog are and backing subject to change” and “Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results.”

Gross Debt and Net Debt

Gross debt and net debt as defined above are not measures specifically defined by IFRS.

We believe that gross debt and net debt are valuable indicators of our obligations under our financing arrangements. Gross debt and net debt are intended to provide additional information to investors and analysts, do not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as substitutes for measures of financial condition prepared in accordance with IFRS. Gross debt and net debt exclude the impact of certain obligations and therefore are not necessarily indicative of our liabilities under IFRS. Other companies, including the Company’s competitors, may calculate gross debt and net debt on a different basis, which may differ materially from the similarly titled measures reported by the Group.

Comparability of Financial Information

Certain figures corresponding to December 31, 2014 comparative financial information included in the audited consolidated financial statements as of and for the year ended December 31, 2015 have been reclassified to conform with the December 31, 2015 presentation. Therefore, the December 31, 2014 consolidated financial information included elsewhere in this Corporate Presentation have been derived from the audited consolidated financial statements as of and for the year ended December 31, 2015.

Certain figures presented in the financial information for the years ended December 31, 2014 and December 31, 2015 have been amended to conform with the December 31, 2016 presentation to reflect (i) the reclassification of impairment loss on accounts receivable from impairment losses to administrative expenses, (ii) the movement of impairment loss on accounts receivable from above the profit from operations line to below the profit from operations line and (iii) the reclassification of interest paid from net cash flows generated from operating activities to net cash flows used in financing activities. The financial information for the years ended December 31, 2014 and December 31, 2015 are not directly comparable to the corresponding amount in the audited consolidated financial statements for the years ended December 31, 2014 and December 31, 2015, respectively.

Operational Data

This Corporate Presentation contains certain measures of operational data, including backlog, average utilization rates and average day rates.

Backlog

We use the measurement of “backlog” as a key performance indicator for our business. Backlog and utilization are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. We consider the amount of our backlog to be an important performance measure and accordingly monitor it on a monthly basis.

Our “**backlog**” consists of the total estimated revenue attributable to the uncompleted portion of all of our vessel charter contracts, for both our owned and chartered-in vessels, on the basis of our expectations of the revenue to be generated from the remaining contract period on the basis of the day rates specified in each contract, and the extension of those contracts at the option of our clients as per the terms of such contracts as of a certain date. Our backlog includes, where applicable, withholding taxes varying between 5% to 10% depending on the region of the world a vessel is deployed in. We believe that our backlog is conservatively calculated given that it does not include any amounts attributable to the reimbursement of expenses incurred on behalf of a client, any upfront payments, mobilization fees or any other revenue apart from revenue attributable to day rates from the uncompleted portion of vessel charter contracts. We note that backlog is not a guarantee of future revenue and is not an indicator of operating profit, cash generation or future liquidity. See “*Business—Our Fleet—Backlog.*”

Backlog is calculated as an aggregate of such potential future revenue for each of our business segments over the relevant contracted period for each contract, which in certain cases may be five years or more and is not subject to a present value discount. Furthermore, in most cases the day rates are not subject to inflation indexing which may limit the relative value of future revenue. While backlog is presented for 2012, 2013, 2014, 2015, 2016, 2017 (including from January 1, 2017 to March 31, 2017 and from April 1, 2017 to December 31, 2017), 2018, 2019, 2020, 2021, 2022 and thereafter, backlog does not provide a precise indication of the time period over which we are contractually entitled to receive such revenue and there can be no assurance that such revenue will be actually received by us in the time frames anticipated, or at all.

When calculating our backlog, we assume that none of the relevant contracts will be terminated prior to their stated termination dates and that all options will be exercised, although clients are under no obligation to exercise renewal options and may have cancellation rights. As a result, the amount of revenue realized by us from the relevant contracts, particularly in light of the downturn in the oil and gas industry, may be less than is reflected in the backlog figures stated in this Corporate Presentation. See also “*Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results.*”

Based on our operating history and in the course of dealing with our customers, contracts are often continued due to the Company’s track record of strong operating performance, and in reference to the Caspian region, due to the limited availability of alternative suppliers and the assumption that contracts will be extended for the applicable option period forms a significant assumption in the calculation of our backlog, although option periods are always shown

separately. However, the contracts on the basis of which backlog is calculated are subject to termination or variation in certain circumstances and clients may choose to not extend their contracts. In addition, our clients may seek to negotiate the terms of contracts due to changes in market conditions or may have an interpretation of certain terms included in their contracts with us that differs from our interpretation. Any early termination, variation, alternative interpretation or renegotiation of or failure to extend a contract, which is more likely to happen during prolonged periods of downturn in the oil and gas industry, may mean that we may not realize our backlog fully, on schedule or at all. Furthermore, realization of our backlog may be impacted by unanticipated maintenance downtime that exceeds the amount of time that our medium- and long-term contracts provide for or that is greater than our assumptions for required maintenance time between short-term contracts. In addition, we are subject to the risk of nonpayment under the contracts that make up our backlog. There can be no guarantee that counterparties will make payments that are due, either on schedule or at all.

To the extent work advances on these contracts, revenue is recognized in accordance with our revenue-recognition policies and thereafter no longer constitutes backlog. At any particular time, we may have orders from clients in the form of letters of intent or other non-binding commitments. Any such nonbinding commitments are not counted in our backlog. Backlog includes only the revenue attributable to signed contracts. The portion of our backlog attributed to optional charter contract extension periods is indicated as such and such backlog may not be realized in the event that the relevant client does not exercise their extension option.

Expectations expressed in this Corporate Presentation that a portion of backlog will be realized in any particular year are based on scheduled payment dates as specified in the relevant contracts. Past performance indicates that clients will often meet their payment obligations on the scheduled payment dates as specified in the relevant contracts and that options on such contracts will be exercised; however, there can be no guarantee of either event occurring and any deviation from such past performance could have a material adverse effect on the realization of revenue from our backlog in a particular year. See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market and Credit Risks—Credit Risk—Trade Accounts and Other Receivables.”*

In addition, a portion of our backlog relates to contracts under which a part of the day rates are denominated in currencies other than U.S. dollars, including Euro, Nigerian Naira and Angolan Kwanza. The backlog figure, reported in U.S. dollars, includes the non-U.S. dollar revenue converted into U.S. dollars. In respect of non-U.S. dollar currencies included that are not pegged to the U.S. dollar, subsequent variations in the exchange rate will cause the U.S. dollar amount of backlog to vary, although the underlying amount of backlog in the stated currencies will remain unchanged. For further information, see *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market and Credit Risks—Currency Risk.”*

Average Utilization Rates

We use **“average utilization rates,” “fleet utilization rates”** or **“utilization rates”** interchangeably as measures of the extent to which our vessels are actively employed by or for our clients. The average utilization rate of a vessel in a given period is calculated retrospectively by reference to the number of days in that period that the vessel was deployed as a percentage of days in the period in which the vessel was available for deployment. Vessels that are cold stacked are not considered available for deployment and are therefore excluded from the average utilization rates presented in this Corporate Presentation. Two of our vessels that were previously cold stacked and are currently in the process of being deployed for service are excluded from the average utilization rates presented in this Corporate Presentation. We consider the days in a period in which a vessel was available for deployment as being 365 days less days required for dry-docking. The number of days in each year that vessels are unavailable varies from year to year and between vessels, vessel types and countries. In many of our medium- to long-term contracts, the contract defines full or 100% utilization to include an allowance of twelve unavailable days. However, this utilization rate varies based on geographic region of operations.

Average Day Rates

The **“average day rate”** for a vessel in a given period is calculated as the total revenue generated by that vessel in that period divided by the number of days on which that vessel was deployed during that period (whether under one or more contracts and/or for one or more clients), excluding mobilization and demobilization revenue. Day rates account for the rates applicable based on the utilization of our vessels. However, some day rates are calculated based on the assumption that there will be no lay-up time or standby time and that the vessel will be fully utilized for the duration of the contract. While our past history and performance suggest this is probable, any deviation from such performance could have a material adverse effect on the realization of revenue from our backlog.

Anticipated Fleet Average Age

As of June 30, 2017, we had 23 vessels under construction that we expect to be delivered over the course of 2017 and 2018. These include 17 MCVs that we will own and operate and three wider MCVs that we will operate on behalf of KMTF in connection with the TCO Future Growth Project. The three other vessels under construction include one AHTSV and two MPSVs. On July 5, 2017, we accepted delivery of the first MCV in connection with the TCO Future Growth Project, which is expected to begin operating in 2018.

In this Corporate Presentation, we present our “Anticipated Fleet Average Age.” The Anticipated Fleet Average Age is our fleet average age as adjusted to give pro forma effect to these additions by assuming each of the 23 vessels were delivered on the date for which such metrics were calculated, and that the age of the additional vessels was 0.0 years on this date. Anticipated Fleet Average Age information is presented for illustrative purposes only and does not purport to represent what the composition or characteristics of our fleet would have been if these additional vessels had been delivered on the relevant date, or any future date.

Industry Data

When we discuss our “**industry peers**” in this Corporate Presentation in relation to our EBITDA Margin and net leverage ratios, we refer to DESSC, Tidewater, Farstad, Hornbeck, Solstad, Siem Offshore, Havila and Bourbon Offshore. When we discuss our “**Peer Group**” in this Corporate Presentation in relation to our backlog, we refer to Siem Offshore, Farstad and Solstad. DESSC, Farstad and Solstad merged into a single entity, Solstad Farstad ASA, on June 21, 2017. Given the merger and the absence of historical results for the combined entity, we did not consider this combined entity to be among our industry peers and instead treated DESSC, Farstad and Solstad as separate companies for all purposes in this Corporate Presentation. The terms “industry peers” and “Peer Group” as they are used in this Corporate Presentation exclude certain competitors, including those whose financial information is not publically available and certain competitors who are in management’s view not directly comparable since they operate in segments other than the OSV market. While comparison of our financial performance to this group of companies in our industry is intended to provide additional information to investors and analysts, it is important to note that this group of industry peers only include certain companies and there are various other competitors in our industry that are not included since they do not file their results publicly. Additionally, not all of these companies operate in the regions where we operate and most do not operate in the Caspian, which is currently the market where we generate nearly all of our EBITDA. These companies may prepare their financial statements on a basis that is not directly comparable to ours, and they may calculate non-IFRS measures and operational data differently than we do. Our performance relative to each of these companies as shown in this Corporate Presentation is therefore not necessarily indicative of any future performance or market positioning or future operating profit or cash flows that we might generate and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Furthermore, with respect to backlog information, our Peer Group may calculate their backlog on a basis that is not directly comparable with ours. For example, certain companies included in the definition of “Peer Group” may not include extension options in calculating their backlog.

“**Effective utilization rate**” measures the extent to which vessels in the industry are actively employed (excluding layups). Effective utilization rate in a given period is calculated by the total demand of vessels divided by the available supply of vessels (excluding layups) for that period.

Rounding

Percentages and certain amounts included in this Corporate Presentation have been rounded for ease of presentation. Accordingly, figures shown in this Corporate Presentation as totals, including in certain tables and charts, may not be the precise sum of the figures that precede them.

Currencies

In this Corporate Presentation, references to “**USD**,” “**U.S. dollars**,” “**dollars**,” “**\$**” or “**cents**” are to the lawful currency of the United States; references to “**UAE dirhams**” and “**AED**” are to the lawful currency of the United Arab Emirates; references to “**Euro**” are to the lawful currency of the eurozone member states; and references to “**Omani Rials**” are to the lawful currency of Oman. Unless otherwise indicated, the financial information contained in this Corporate Presentation has been expressed in U.S. dollars.

The historical financial statements included elsewhere in this Corporate Presentation are presented in U.S. dollars. However, some of the financial information included elsewhere in this Corporate Presentation has been translated from AED amounts into U.S. dollars. Unless otherwise indicated, U.S. dollar translations for all periods and period-end

dates have been made using a rate of AED 3.67 = \$1.00. See “*Consolidated Financial, Operating and Other Data.*” Our use of this rate is not meant to suggest that the UAE dirham amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate.

INDUSTRY AND MARKET DATA

Unless otherwise expressly indicated or noted below, all information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Corporate Presentation is based on estimates prepared by us based on certain assumptions and our knowledge of the industry in which we operate, as well as data from various market research reports, publicly available information and industry publications, and the Westwood Global Energy Group (“**Westwood Global Energy Group**”) report commissioned by us, dated July 11, 2017 (the “**Westwood Global Energy Group Report**”), as well as other reports published by various third-party sources. Westwood Global Energy Group has utilized both in-house proprietary data and information publically available to develop assumptions, model activity levels, market size estimates and other statements. While Westwood Global Energy Group has checked the underlying data and assumptions, the accuracy and completeness of the information and forward-looking statements contained in this Corporate Presentation related to the Westwood Global Energy Group Report is not guaranteed.

Industry publications, including the Westwood Global Energy Group Report, generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data. We do not intend to, and do not assume any obligation to, update industry or market data set forth in this Corporate Presentation, except as required by law.

In some cases where there is no readily available external information (whether from trade and business organizations and associations, government bodies or other organizations) to validate market-related analyses and estimates, we rely on our own internally developed estimates regarding the industry in which we operate, our position in the market, our market share and the market shares of various industry participants based on experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. While we have examined and relied upon certain market or other industry data from external sources as the basis of our estimates, we have not verified that data independently. We cannot assure you of the accuracy and completeness of, and take no responsibility for, such data. Similarly, although we believe that our internal estimates are reasonable, such estimates have not been verified by any independent sources and we cannot assure you as to their accuracy or that a third party using different methods to assemble, analyze or compute market data would obtain the same result.

The Westwood Global Energy Group Report may contain information provided by third parties that was not independently verified. Westwood Global Energy Group provides no warranty of any kind, including as to the accuracy of such data contained in the Westwood Global Energy Group Report. You should not place undue reliance on data from the Westwood Global Energy Group Report for purposes of assessing our market position and the markets in which we operate as of July 11, 2017. Information contained herein that has been derived from the Westwood Global Energy Group Report is not for reproduction or use in a commercial product.

Additionally, behavior, preferences and trends in the marketplace tend to change. As a result, investors and prospective investors should be aware that data in this Corporate Presentation and estimates based on that data may be unreliable indicators of future results. Where information contained in this Corporate Presentation has been obtained from external sources, it has been accurately reproduced and, so far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. As a general matter, please note that all such data presented herein involve risks and uncertainties and is subject to change based on a variety of external factors, including those discussed in “*Risk Factors*.”

Market share data in this Corporate Presentation is based on the estimated size of the addressable market in 2016 in the Caspian region’s revenue.

Except as otherwise indicated, in the context of discussing our market and industry, the following terms have the following meanings:

- references to the “**Caspian region**” are to Azerbaijan, Kazakhstan (other than the TCO Future Growth Project), Turkmenistan and the Russian sector of the Caspian Sea;
- references to “**MENA and Subsea**” are to the Kingdom of Saudi Arabia, the UAE, Kuwait, Qatar, Oman, Syria and other Middle East producers, and our Subsea operations; and
- references to “**West Africa**” are to Nigeria, Angola, Republic of Congo, Equatorial Guinea and Gabon.

Existing Fleet Valuation

Our existing fleet, as of March 31, 2017, which does not include chartered-in vessels, vessels under construction or planned purchases, was valued by a third-party independent valuation expert on February 14, 2017 at a median valuation of approximately \$696.5 million. The valuation was based on the expert's experience and opinion of the following factors: the fair market value of the vessels on a "willing buyer and willing seller" basis, with delivery in the vessels' respective areas of operations and free of charters, encumbrances, maritime liens and any other debts. The market fleet valuation does not include our vessels under construction as part of the TCO Future Growth Project or our two MPSVs and one AHTSV currently under construction. The valuation was made on the primary assumption, among others, that the vessels are in good and seaworthy condition. All conclusions of the market fleet valuation are estimates based on the valuation expert's consideration of factors and market conditions that may change, and you should not place undue reliance on its conclusion. The valuation of our fleet is dependent upon numerous assumptions and economic conditions over which we have no control and which may or may not occur.

Both the expert valuation and net book value of our fleet presented in this Corporate Presentation include vessels owned by our joint venture subsidiaries. Although we control these joint ventures, as described more fully under "*Business—Partners and Joint Ventures*," we hold only 50% of the equity of each of these joint ventures. The aggregate net book value of vessels owned by such joint ventures equals approximately 47% of the total net book value of our existing fleet as of March 31, 2017 and approximately 49% of the median market value as reflected in the expert valuation. The EBITDA contribution of the vessels owned by our joint venture subsidiaries for the twelve months ended March 31, 2017 was approximately 81%.

OVERVIEW OF TOPAZ

Unless the context indicates otherwise, when we refer to “we,” “us,” “our,” the “Group” and “our Group” for the purposes of this Corporate Presentation, we are referring to the Company and its subsidiaries.

We are a leading international offshore support vessel (“OSV”) and marine solutions provider with a strong, focused position in the highly attractive Caspian Sea region. We also provide critical logistics support for the energy industry. We own and operate vessels, and provide innovative marine solutions to our clients, which typically are international oil companies (“IOCs”), national oil companies (“NOCs”) and offshore services companies of international standing. In addition to the Caspian Sea, we operate in the Middle East and North Africa, and West Africa, and our subsea assets operate in the global market (including the North Sea and the Pacific). Our capable operating fleet provides a wide range of offshore services required in the oil and gas industry, including supply, logistics, anchor handling, cable-laying, accommodation services, emergency response services and subsea operations, such as inspection, maintenance and repair work on rig and platform installations, primarily during the development and production phases of oil and gas production. For the twelve months ended March 31, 2017, we generated revenue, EBITDA and EBITDA Margin of \$262.6 million, \$136.6 million and 52.0%, respectively.

We provide our services through our diversified fleet of 120 modern vessels (including 23 vessels currently under construction of which 20 vessels will be owned by us and three vessels will be managed by us). Our fleet of 120 vessels (including 23 vessels currently under construction) includes anchor handling tug supply vessels (“AHTSVs”), platform supply vessels (“PSVs”), multi-purpose support vessels (“MPSVs”), emergency recovery and response vessels (“ERRVs”) and a new class of module carrying vessels (“MCVs”), among other vessels. With an Anticipated Fleet Average Age of only 7.4 years, our young fleet of 120 vessels (including 23 vessels currently under construction) allows us to offer safe, reliable and cost-effective services that cater to the various demands of our clients. We contract our vessels to prominent IOCs, NOCs and offshore services companies on a daily charter-rate basis with contract duration that usually range from three months to five years (excluding contract extensions).

During the downturn in the oil and gas industry, our OSV operations have navigated the challenges of oversupply and increased competition. Since 2014, when oil and gas prices fell significantly, we have consistently maintained strong EBITDA Margins, which for the twelve months ended March 31, 2017 were 52.0%. This stability has been due, in part, to our primary focus on the more stable oil and gas development and production phases primarily in shallow water areas, which accounted for approximately 42% and 58% of our revenue under contract, respectively, in 2016. Through over 20 years of experience, we have developed a diversified service offering, a young and technically advanced fleet and a strong health, safety and environmental (“HSE”) track record that have helped us build a leading market position in the Caspian Sea (with an approximately 50% market share by revenue as of December 31, 2016, according to the Westwood Global Energy Report) and a strong market position in MENA.

In 2016, we signed a new five-year contract (with two one-year extension options) with BP Exploration (Caspian Sea) Limited (“BP”) to provide vessel support for BP’s oil fields in Azerbaijan, which consolidated several previous contracts for 14 vessels and increased our backlog by approximately \$750 million. Furthermore, we won one of the largest contracts in our history, with Tengizchevroil LLP (“TCO”), a partnership of Chevron Overseas Company (“Chevron”), KazMunayGas NC JSC, ExxonMobil Kazakhstan Ventures Inc. (“Exxon”) and LUKARCO B.V. which increased our backlog by approximately \$550 million and which we expect will contribute to medium-term growth for us starting in 2018 (the “TCO Future Growth Project”). Under this contract, we are constructing 20 MCVs that, over a three-year service period, will transport more than 270 modules to the Tengiz oil field in Kazakhstan from the Baltic Sea and the Black Sea through the Russian Inland Waterway System (the “RIWS”).

We are a subsidiary of Renaissance Services SAOG (“Renaissance”), a publicly traded company listed on the Muscat Securities Market in Oman. Renaissance is an Omani multinational company offering strategic facilities management solutions for businesses in a wide range of sectors and geographic regions. In addition, Standard Chartered Private Equity Limited (“SCPE”) and its affiliate Standard Topaz Limited (“STL”) each hold a minority position in the Company.

Our Operations

We are headquartered in Dubai with operational centers in the United Arab Emirates, Qatar, Kazakhstan, Azerbaijan, Russia, Nigeria, Angola, the Kingdom of Saudi Arabia and Turkmenistan. As of March 31, 2017, we employed over 1,700 people in nine countries. We carry out our business through four operating divisions: Topaz Marine Caspian, which oversees our operations in Azerbaijan, Kazakhstan, Turkmenistan and the Russian sector of the Caspian Sea (other than the TCO Future Growth Project); Topaz Marine MENA and Subsea, which oversees our operations in MENA, primarily in the UAE, Qatar and the Kingdom of Saudi Arabia and the operation of our Subsea fleet in the global market; Topaz Marine Africa, which oversees our operations in West Africa; and the recently formed Topaz Solutions, which currently oversees all aspects of the TCO Future Growth Project.

Topaz Marine Caspian

Topaz Marine Caspian is our largest division by revenue, EBITDA and vessel and employee count. We have a leading market position in the Caspian Sea (approximately 50% of market share by revenue as of December 31, 2016) where we have operated for over 20 years. Our well-established presence in the Caspian Sea has provided us with a deep understanding of the operational and logistical challenges associated with operating in the region, such as mobilizing vessels and equipment, as well as client, local content and regulatory requirements. The Caspian Sea's landlocked geography creates logistical challenges for mobilizing vessels that differentiates it from other major offshore oil-producing regions globally, and our ability to successfully operate in the region despite these challenges has allowed us to build our leading position in this attractive market.

We operate the majority of the OSVs in our modern existing fleet in the Caspian Sea (62 vessels, or approximately 64% of our total existing fleet). As of March 31, 2017, we deployed 25 vessels in Azerbaijan, 22 vessels in Kazakhstan, 13 vessels in Russia and two vessels in Turkmenistan. Our existing fleet in the Caspian region increased by four vessels in 2016, when we moved these vessels into the region from MENA. The average age of our existing fleet deployed in the Caspian Sea is approximately 9.4 years. Topaz Marine Caspian's modern high-specification fleet and focus on operational excellence make it a supplier of choice for blue-chip companies in the region, such as BP, Agip, Total, Dragon Oil and Saipem. In the twelve months ended March 31, 2017, Topaz Marine Caspian generated revenue of \$200.4 million and EBITDA of \$132.8 million. As of March 31, 2017, our backlog for Topaz Marine Caspian, including both the initial contract period and client extension options, was \$810.7 million. The extension options in our contracts vary, depending on the terms of the specific contract with certain of our medium- and long-term contracts having two or three extension options of up to one year. See *"Presentation of Financial and Other Information—Operational Data—Backlog"* and *"Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results."*

Topaz Marine MENA and Subsea

Topaz Marine MENA and Subsea combines our previous MENA and Subsea businesses into one division. The combination was made to reduce overhead costs and improve our operational efficiency. We are the fifth largest OSV operator in MENA by number of AHTSVs. We currently deploy a fleet of 16 vessels (or 25% of our total existing fleet) in MENA. As of March 31, 2017, we deployed six vessels in the Kingdom of Saudi Arabia, five vessels in the UAE, four vessels in Qatar and one vessel in the Mediterranean. We currently deploy a fleet of three vessels (or approximately 3% of our total existing fleet) in our subsea operations. As of March 31, 2017, we deployed one vessel in Sweden, one vessel in the UAE and one vessel in the United States. The average age of our existing fleet deployed in MENA and in our Subsea operations is approximately 9.7 years. Some of our key clients include Total, Saudi Aramco, Oxy, McDermott, Maersk Oil and Dubai Petroleum. In the twelve months ended March 31, 2017, Topaz Marine MENA and Subsea generated revenue of \$52.5 million and EBITDA of \$8.6 million. As of March 31, 2017, our backlog for Topaz Marine MENA and Subsea, including both the initial contract period and client extension options, was \$108.0 million. See *"Presentation of Financial and Other Information—Operational Data—Backlog"* and *"Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results."*

Topaz Marine Africa

We believe that Topaz Marine Africa provides us with a key opportunity for future growth. Our development of local offices and crew positions us well for any market upturn in the West African oil and gas market. We deploy six vessels (or approximately 8% of our total existing fleet size) in our operations in Africa with an average age of approximately 3.6 years. As of March 31, 2017, we deployed three vessels in Nigeria, one vessel in Angola, one vessel in Namibia and one vessel in Ghana. Our key clients in this division include Total, BP and Heerema. In the twelve months ended March 31, 2017, Topaz Marine Africa generated revenue of \$9.6 million and EBITDA of \$(4.8) million. As of March 31, 2017, our backlog for Topaz Marine Africa, including both the initial contract period and client extension options, was \$2.3 million. See *"Presentation of Financial and Other Information—Operational Data—Backlog"* and *"Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results."*

Topaz Solutions

To diversify our operations, we founded Topaz Solutions in 2016 as a new reporting division. Currently, the division manages all activities related to the TCO Future Growth Project. We believe that Topaz Solutions will provide us with potential growth opportunities from pursuing other projects with Chevron and Exxon as well as opportunities to provide maritime solutions to other global customers. As of March 31, 2017, our backlog for Topaz Solutions was approximately \$550 million. See *"Presentation of Financial and Other Information—Operational Data—Backlog"* and *"Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our*

backlog, and backlog may not be an accurate indicator of our future results.” For more information about the TCO Future Growth Project, see “—TCO Future Growth Project.”

Our Industry

The offshore marine industry is driven by exploration and production (“**E&P**”) activity, which covers the life cycle of oilfield development (exploration/development/production). The global offshore marine industry has been impacted by the oil price decline since 2014. However, according to the Westwood Global Energy Group Report, demand for energy is growing, particularly for natural gas which is expected to see consumption increase by 21% over the next decade. Oil and gas are expected to remain a primary source of energy, representing approximately 56% of total energy requirements in 2020, due to a reduction in the growth of coal consumption, offset in part by an increase in renewable energy production.

According to Westwood Global Energy Group, following several years of reduced investment, a higher rate of capital expenditure will be required to meet demand for oil and gas. Global oil and gas production is forecasted to fall from 155 million barrels oil equivalent per day (“**mboepd**”) for 2016 to 99 mboepd for 2021 unless additional investment is made. This reduction is due to a lack of new projects producing oil over the forecast period and the natural decline rate of existing and producing fields. Consequently, Westwood Global Energy Group forecasts an increase in global offshore E&P spend, including capital and operating expenditures, from \$186 million in 2016 to \$192 million in 2017, and expected to grow at an average of approximately 3% per year through 2021.

Demand in the OSV market has fallen 16% since 2014 as a result of reduced activities within the offshore sector. As industry demand fell, the market suffered from oversupply on a global basis following a period of speculative OSV builds since 2011 with utilization levels and day rates falling. As vessels have been laid up, however, effective utilization has increased, rising to 65% in 2016 from 59% in 2015 according to Westwood Global Energy Group. In the Caspian market, due to the physical and logistical challenges of moving vessels into the region, there have been much higher average utilization rates, at 89% for large OSVs (which is our focus market) for 2015 and 2016, and 43% and 56% for small OSVs in 2015 and 2016, respectively. Average day rates have remained largely steady. Furthermore, Westwood Global Energy Group forecasts an insufficient amount of capacity for large OSVs in the medium term to meet the increasing demand in the Caspian region. In the MENA region, we are more focused on small OSVs, and the utilization of small OSVs has been strong across the market, maintaining effective utilization levels of 85% and 79% in 2015 and 2016, respectively.

The tables below show average day rates and average utilization rates in the Caspian and MENA regions from 2012 to 2016 by types of OSVs:

Caspian Region

	Large OSVs		Small OSVs	
	Day Rate (\$/per day)	Utilization (%)	Day Rate (\$/per day)	Utilization (%)
2012	27,494	88%	12,909	39%
2013	27,793	88%	12,709	38%
2014	28,579	91%	13,341	40%
2015	27,912	89%	12,850	43%
2016	28,023	89%	14,046	56%

MENA Region

	Large OSVs		Small OSVs	
	Day Rate (\$/per day)	Utilization (%)	Day Rate (\$/per day)	Utilization (%)
2012	16,640	69%	10,396	72%
2013	17,630	75%	11,002	80%
2014	16,779	71%	11,069	83%
2015	14,070	65%	10,101	85%
2016	11,773	58%	8,955	79%

Both the Caspian and MENA regions are expected to see an improvement in the short- to medium-term, according to the Westwood Global Energy Group Report. The Caspian region, a market in which we are the leading OSV player with a market share 50% as of December 31, 2016 by revenue, is expected to grow over the next five years, according to the Westwood Global Energy Group Report. Due to the nature of the geography in the Caspian region, other international players have been deterred from opportunistically entering the market with unutilized tonnage. The MENA region, our other key market, is expected to see stronger conditions in the coming years, according to the Westwood Global Energy Group Report. The shallow-water nature of the MENA region has partially protected it from the wider global downturn, but it has been somewhat impacted by increased competition as other operators moved their fleet into the region, according to the Westwood Global Energy Group Report. See “*Industry Overview*.”

Competition is generally fragmented across our core regions. In the Caspian region, we are the largest offshore marine contractor by active fleet, and the clear leader by active fleet in respect of larger AHTs and PSVs, according to the Westwood Global Energy Group Report. Although there are a handful of other material players such as Azerbaijan Shipping, GAC Marine, Caspian Mainport and Caspian Marine Services, none have the same combination of scale and young fleet that we do. In the MENA region, competition is highly fragmented, with the top five players accounting for 20% of the regional operating fleet, and over 200 players in all, according to the Westwood Global Energy Group Report. We operate a fleet in MENA that is younger than the regional average.

Our Contracts and Clients

Our typical OSV contract lengths vary in each region in which we operate. In our core Caspian market the duration of our contracts is ordinarily one month to five years, while our contracts in the MENA and Subsea and West Africa businesses tend to have short- to medium-term durations (between one month and one year), reflecting the increasing trend favoring contracts of shorter durations in current market conditions in these two markets. In the Caspian region, our contracts provide compensation clauses for demobilization that, given the economic costs of demobilizing ships and transiting the vessels out of the region, further discourage clients from terminating their contracts with existing service providers.

Our clients include many of the world’s largest international oil and gas exploration and production companies, including IOCs such as BP, Chevron, ExxonMobil and Total; NOCs, such as Saudi Aramco and Dubai Petroleum; and other offshore services companies of international standing, such as Saipem, McDermott. While our clients employ our vessels to provide a wide range of services supporting the exploration, development and production phases of the upstream offshore oil and gas industry, we have historically focused, and expect to continue to focus, on the development and production phases. We believe that the development and production phases provide greater stability and certainty as to future revenue than the exploration phase due to significant capital already committed prior to entering these phases. We have long-standing relationships with our key clients with an average length of seven years across our top five clients (based on revenue for the twelve months ended March 31, 2017). We are a recognized global vendor to IOCs such as BP, Chevron and ExxonMobil Shell, which we believe will position us well for increases in global energy activity.

Historically, we have experienced limited instances of contract cancellations. Additionally, we have a strong record of contract renewal in our core Caspian Sea market. None of our AHTSVs, PSVs, MPSVs and ERRVs (“**core assets**”) have left the Caspian Sea in the past 15 years. See “*Business—Our Fleet—Average Utilization.*”

Our Vessels

OSV Vessels

In our OSV operations, we employ a diverse fleet of OSVs to support our clients and their various requirements, including for the positioning of drilling structures and the transportation of personnel, equipment, materials and supplies. In an independent valuation carried out by a third-party expert on February 14, 2017, our OSV vessels (excluding 23 vessels under construction) had a median valuation of approximately \$696.5 million. The estimated useful life of our existing fleet is approximately 25 to 30 years, and its average age was 9.2 years as of March 31, 2017. For a description of certain assumptions made in connection with this valuation, see “*Industry and Market Data—Fleet Valuation.*”

The table below shows the breakdown of our existing fleet categorized by primary function as of July 11, 2017.

Category ⁽¹⁾	Number of Vessels in Existing Fleet ⁽²⁾⁽⁴⁾	Existing Fleet Valuation (\$ in millions) ⁽³⁾	Net Book Value (\$ in millions) ⁽⁵⁾	Average Age of Vessels in Existing Fleet	Industry Average Age ⁽⁶⁾	Average Day Rates for Twelve Months ended March 31, 2017 (\$)	EBITDA for Twelve Months ended March 31, 2017 (\$ in thousands)
Anchor handling tug supply vessels (“ AHTSV ”).....	29	294.3	440	7.9	16.9	16,830	67,289
Platform supply vessels (“ PSV ”).....	17	214.3	322	6.9	12.6	18,846	39,596
Multi-purpose support vessels (“ MPSV ”).....	10	81.8	127	13.5	19.2	17,935	6,457
Emergency recovery and response vessels (“ ERRV ”).....	4	43.8	52	8.7	24.6	11,752	8,474
Subtotal core existing fleet⁽⁷⁾	60	634.2	941	8.6	16.2	17,042	121,816
Other vessels ⁽⁷⁾	37	62.5	106	10.0	—	3,601	14,740
Total existing fleet	97	696.5	1,047	9.2	—	12,824	136,556
Vessels under construction ⁽⁸⁾	23	—	—	—	—	—	—
Total fleet (including vessels under construction)	120	—	—	7.4⁽⁹⁾	—	—	—

(1) Our core fleet is made up of our AHTSVs, PSVs, MPSVs and ERRVs. Our AHTSVs include the DMS-2000, the Jura, the Islay, the Caspian Challenger, the Caspian Endeavour, the Caspian Reliance, the Caspian Supporter, the Caspian Power, the Topaz Jurong, the Topaz Johor, the Topaz Dignity, the Topaz Triumph, the Topaz Glory, the Topaz Legend, the DMS Fortune, the Topaz Addax, the Topaz Jumeirah, the Topaz Jebel Ali, the Topaz Jafiliya, the Topaz Karzakkan, the Topaz Khobar, the Topaz Khuwair, the Topaz Khalidiya, the Topaz Karama, the Topaz Mamlaka, the Topaz Shaheen, the Topaz Oryx, the Topaz Jaddaf and the Topaz Khubayb. Our PSVs include the Topaz Xara, the Topaz Isra, the Topaz Amani, the Topaz Sophie, the Topaz Seema, the Topaz Faye, the Topaz Megan, the Caspian Pride, the Fortress, the Citadel, the Caspian Supplier, the Caspian Server, the Caspian Qala, the Caspian Provider, the Caspian Voyager, the DMS Conqueror and the DMS Courageous. Our MPSVs include the Topaz Arrow, the Topaz Resolve, the Topaz Rayyan, the DMS Challenger III, the DMS Challenger II, the DMS Challenger, the Topaz Commander, the Topaz Salalah, the Topaz Captain and the Topaz Installer. Our ERRVs include the Baki, the Caspian Protector, the Tulpar and the Topaz Responder.

(2) Number of vessels includes owned assets as of June 30, 2017 and excludes 20 MCVs (of which 17 will be owned and operated by us, and three will be managed by us) that will be constructed as part of the TCO Future Growth Project and two additional MPSVs and one AHTSV under construction. As of March 31, 2017, we had 10 vessels laid up.

(3) Estimated asset value based on a median valuation from a report prepared by a third-party expert and includes owned assets as of February 14, 2017 and excludes 20 vessels under construction as part of the TCO Future Growth Project and three further OSVs (two MPSVs and one AHTSV) under construction. See “*Industry and Market Data—Existing Fleet Valuation.*” On July 5, 2017, we accepted delivery of the first MCV in connection with the TCO Future Growth Project, which is expected to begin operating in 2018.

(4) Source: Westwood Global Energy Group Report, dated June 30, 2017.

(5) The estimated net book value of currently owned core assets (AHTSVs, PSVs, MPSVs and ERRVs) is approximately \$941 million and the estimated net book value of our currently owned other assets is approximately \$106 million as of March 31, 2017.

(6) Total for Industry Average Age includes AHTSVs, PSVs, MPSVs and crew boats only and excludes ERRVs, as these are deemed to be a specialized category outside the more general OSV fleet, and also excludes specialized barges and other vessels.

- (7) In 2016, we reclassified our core assets to exclude our barges, which are less valuable vessels. Our core fleet has higher utilization and higher margins than our non-core assets. “Other vessels” includes vessels such as barges, tugs and crewboats and consists of the Caspian Breeze, the BUEK 3, the BUEK 4, the Sanmar 1, the BUE Tobol, the BUE Ili, the BUE Ishim, the BUE Emba, the BUEK 5, the BUEK 6, the BUEK CB 101, the BUEK CB 102, the COM 10, the COM 3, the COM 4, the COM 5, the COM 6, the COM 7, the COM 8, the TOP 11, the TOP 12, the TOP 14, the BUE Tekes, the BUE Irtysh, the BUE Chu, the BUE Darya, the BUE Naryn, the BUE Ob, the Topaz Zenith, the Topaz Zephyr, the BUEK 10, the BUEK 7, the BUEK 8, the BUEK 9, the COM 1, the COM 2 and the COM 9.
- (8) Includes 20 MCVs under construction in connection with the TCO Future Growth Project and two additional MPSVs and one AHTSV under construction.
- (9) Assumes that vessels under construction have been completed as of July 11, 2017 and their ages have been reflected as 0.0 years for purposes of calculating Anticipated Fleet Average Age. This information is presented for illustrative purposes only and does not purport to represent what the composition or characteristics of our fleet would have been if these additional vessels had been delivered on the relevant date, or any future date. See “*Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results*” and “*Presentation of Financial and Other Information—Operational Data—Backlog.*”

MCVs under the TCO Future Growth Project

In connection with the TCO Future Growth Project, we will build, own, mobilize and operate 17 new MCVs which will transport more than 270 modules from the Baltic Sea and the Black Sea through the RIWS into the Caspian Sea. We will also manage three wider vessels in the Kazakhstan part of the Caspian Sea on behalf of NMSC “Kazmorttransflot” LLP (“**KMTF**”). As of March 31, 2017, construction has commenced on all 20 vessels and delivery of the vessels from the Vard shipyard is scheduled to occur during the second half of 2017 and the first half of 2018, with the first vessel having been delivered on July 5, 2017. The MCVs are expected to commence operations in the second quarter of 2018. The construction costs of the MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company’s balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel. See “*Business—Contracts—TCO Contract*” and “*Presentation of Financial and Other Information—Revenue, EBITDA and Cash Flows from the TCO Contract.*”

Backlog

We believe that the established relationships that we enjoy with our reputable international clients and NOCs provide us with revenue visibility. As of March 31, 2017, our backlog was approximately \$1.5 billion.

Our backlog consists of the total estimated revenue attributable to the uncompleted portion of all of our vessel charter contracts, based on our expectations of the revenue to be generated from the remaining contract period according to the day rates specified in each contract, and assumes the extension of those contracts at the option of our clients as per the terms of the contracts. The extension options in our contracts vary, depending on the terms of the specific contract with certain of our medium- and long-term contracts having two or three extension options of up to a year. Our contracts allow cancellation in certain circumstances, and the amount of revenue realized by us from the relevant contracts, particularly in light of the downturn in the oil and gas industry, may be less than is reflected in our backlog figures. See “*Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results*” and “*Presentation of Financial and Other Information—Operational Data—Backlog.*”

TCO Future Growth Project

TCO is executing a \$37 billion development plan in the Tengiz oil field in Kazakhstan. Our TCO Future Growth Project contract with estimated contract value is approximately \$550 million in revenue over three years from the second quarter of 2018, and we estimate it will have a significant positive impact on our revenue and EBITDA from the second quarter of 2018 and a more limited positive impact on our cash flow. See “*Presentation of Financial and Other Information—Revenue, EBITDA and Cash Flows from the TCO Contract.*”

Under the TCO Future Growth Project, we will build and operate 20 specially designed MCVs (17 of which we will own and three of which we will manage) to transport more than 270 modules from the Baltic Sea and the Black Sea through the RIWS into the Caspian Sea. The MCVs are currently under construction at several shipyards owned by the Vard Group AS (“**Vard**”) and the construction costs of the MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company’s balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel. We will take title to the MCVs upon delivery from Vard subject to a pledge in favor of TCO securing the payments made by TCO during the construction phase of each vessel. TCO will have the contractual right to terminate the contract against payment of compensation to us and waiver of all liabilities, and in such

circumstances TCO is entitled to take title to the relevant vessels. Upon the successful completion of the TCO contract, the MCVs will be fully paid off and unencumbered.

We believe, based on internal management estimates, that had the 20 MCVs been fully operational and performing their daily services under the TCO contract by April 1, 2016, our Estimated Illustrative Revenue from the TCO Future Growth Project, Estimated Illustrative EBITDA from the TCO Future Growth Project and Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project for the twelve months ended March 31, 2017 would have been approximately \$183 million, approximately \$128 million and approximately \$20 million, respectively. Estimated Illustrative Revenue has been calculated as the product of (i)(x) for the 17 MCVs that will transport through the RIWS, the charter day rate as specified in the TCO contract multiplied by 17 and (y) for the three wider MCVs that we will manage on behalf of KMTF in the Kazakhstan part of the Caspian Sea, the charter day rate as specified in the contract with KMTF multiplied by three, in each case, assuming an estimated utilization rate of 100%, and (ii) 365 days. The utilization rate of 100% is based on our assumption (in accordance with the terms of the contracts) that the MCVs would have been available for deployment throughout the twelve months ended March 31, 2017 since weather conditions, maintenance or technical issues related to the MCVs will not suspend the charter period.

Estimated Illustrative EBITDA from the TCO Future Growth Project has been calculated as Estimated Illustrative Revenue from the TCO Future Growth Project minus (i) estimated operating expenses, which reflects the relevant MCVs' estimated daily operating expense rates (based on operating expense rates of similar types of Group vessels operating in the Caspian Sea region during the twelve months ended March 31, 2017), multiplied by 365 days and (ii) estimated administrative expenses, which reflects the estimated annual administrative expense rate for the TCO Future Growth Project (based on administrative expense rates for the Group during the twelve months ended March 31, 2017). These estimated expenses do not include any costs associated with maintenance since new vessels typically require limited maintenance in the first few years of deployment, which will be carried out by the crew during operations and if required during periods when the RIWS are frozen.

Estimated Illustrative Operating Cash Flow from TCO Future Growth Project of approximately \$20 million for the twelve months ended March 31, 2017 has been calculated as Estimated Illustrative EBITDA from the TCO Future Growth Project of approximately \$128 million minus approximately \$108 million, (which is the amount of the liability on the Company's balance sheet for the payments made by TCO during vessel construction which will be evenly reduced by a portion of the charter revenue generated by the Company) during the twelve months ended March 31, 2017 had the MCVs been fully operational and performing their daily services under the TCO contract since April 1, 2016. This calculation assumes (i) the exchange rate of the Russian ruble to the U.S. dollar being fixed for the entire twelve months ended March 31, 2017 at the exchange rate in effect on July 12, 2017 and (ii) that no tax payments would have been made by the Group in respect of the TCO Future Growth Project during the twelve months ended March 31, 2017, due to the tax credits available to the Group during the same period (other than certain local taxes that are included in the estimated operating costs already used to calculate Estimated Illustrative EBITDA).

Our calculation of Estimated Illustrative Revenue from the TCO Future Growth Project, Estimated Illustrative EBITDA from the TCO Future Growth Project and Estimated Illustrative Operating Cash Flow from the TCO Future Growth Project relies on a number of assumptions and estimates that are inherently uncertain, and this information may not represent the results we would have achieved had the MCVs been fully operational under the TCO contract from April 1, 2016. The calculations of Estimated Illustrative Revenue from the TCO Future Growth Project and Estimated Illustrative EBITDA are based solely on management estimates and these numbers have not been, and cannot be, audited. This information does not constitute a measure of financial performance under IFRS and should not be considered as a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with IFRS or as a measure of our results of operations or liquidity. The actual revenue, EBITDA and EBITDA Margin we will achieve through the TCO Future Growth Project may differ significantly from our estimates. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*" for further information.

Our Competitive Strengths

We believe that our operations benefit from a number of strengths, including the following:

Leading market position in the highly attractive Caspian market. We benefit from our long-established operational presence in the Caspian Sea, where we have operated for over 20 years. For the year ended December 31, 2016, we generated approximately 73% of our consolidated revenue and 96% of our consolidated EBITDA from our Caspian Sea operations. We are the largest international provider of offshore support services to the Caspian market with a market share of approximately 50% by revenue as of December 31, 2016 according to the Westwood Global Energy Group Report. We have developed a strong client base comprised of IOCs, many of whom we believe we enjoy close relationships with, such as BP, Total, Chevron, Exxon and Agip.

The Caspian region has been a key global energy basin since the early 19th century and benefits from comparatively low extraction costs, significant reserves and growing production levels. It currently produces approximately 7.5% of global gas exports which go to major consumer centers such as Europe and China, and is home to four of the world's top 20 fields by reserves. Oil majors such as BP, Chevron and ENI have key oil and gas operations in the region. According to the Westwood Global Energy Group Report, Caspian gas production is expected to grow by 60% over the next five years, with the majority of this growth expected to be sold on long-term export sales agreements. To support this rapid production growth, the region is entering its second major offshore growth phase with the development of mega-projects in Azerbaijan, Kazakhstan and Russia. Increasing exploration activities across the region may lead to further field developments after 2020.

Our leading market position is supported by the unique and challenging geography of the Caspian region with the logistical challenges inherent in operating in the region contributing to high market entry costs. Access to the landlocked Caspian Sea is typically limited for approximately six months of the year due to the surrounding rivers and canals freezing. Additionally, new entrants' vessels often require significant modification prior to entering the Caspian Sea, such as the removal of masts or wheelhouses. Vessel alterations can take up to six months depending on the level of modification and subsequent restoration required, which results in high mobilization and demobilization costs for market entrants. Mobilization and demobilization costs in the Caspian region are typically paid for by the customer after signing a contract. Therefore, it is expensive for new entrants to enter the Caspian Sea market on a speculative basis without having secured contracts in advance, and it may cause additional costs for a customer to switch to an alternative supplier. New entrants also face logistical challenges posed by local regulations, customs and governmental inspections and other specific requirements that we have significant experience in managing as a result of our over 20-year presence in the region.

The Caspian market typically offers longer contracts (with our contracts ranging from one month to five years) than other regions in which we operate (typically one month to a year). The longer terms of these contracts (for example, our recently renewed and consolidated contract with BP and the new contract with TCO) provide us with a stable stream of income and greater visibility of our future revenue. Longer-term contracts allow us to further deepen our understanding of our clients' specific needs, deliver on client expectations and preserve our close relationships with them.

Because of our well-established presence in the region, regional knowledge and expertise, we are well positioned to deliver innovative solutions to existing and prospective clients, which we have demonstrated through the creation of Topaz Solutions, which will own and operate 17 MCVs and manage three additional MCVs. The MCVs, a new class of cargo-carrying vessels designed for the TCO Future Growth Project, will replace the traditional tug-and-barge process with a new bespoke ship design, which we believe will improve safety, increase efficiency and reduce downtime. Following the award of the TCO contract, we are bidding for other significant opportunities with Chevron and Exxon in Africa and other markets. The contract with TCO has generated substantial recognition for us as a reliable marine contractor and thus a viable provider for complex logistics projects.

Peer Group leading backlog underpins long-term revenue visibility. We currently benefit from a Peer Group leading backlog of approximately \$1.5 billion as of March 31, 2017, demonstrating our ability to win new business in a challenging economic environment and representing significant growth from our \$940.8 million backlog at the end of 2012. Critical to this backlog strength were our strategic contract renewal with BP (contributing approximately \$750 million in backlog over five years, with two one-year extension options) and new contract wins with TCO (contributing approximately \$550 million in backlog over three years commencing in the second quarter of 2018). In addition to the contracts with BP and TCO (the latter of which is operated by Chevron), we have orders from Saudi Aramco, Saipem, Occidental and Dubai Petroleum, among others.

We believe that the size of our backlog and the quality of our client base provide us with strong visibility in respect of revenues over the next few years. We believe our focus on the Caspian region with relatively longer-term contracts differentiates us from our peers and has allowed our EBITDA Margin to remain resilient compared to our industry peers during the downturn following the fall in oil prices in 2014 and 2015.

High margin business with resilient through-cycle performance. Our EBITDA Margin of 51.4% for 2016 is significantly higher than the median EBITDA Margin of industry peers and also compares favorably to our EBITDA Margin of 43.4% for the year ended December 31, 2013 when the average price of Brent Crude Oil was at \$108 per barrel.

The resilience of our EBITDA Margin over the last few years has predominantly been driven by: strong utilization levels especially in certain sectors of the Caspian region, where utilization for the twelve months ended March 31, 2017 was 96.3% for the Azerbaijani sector of the Caspian region; the long-term nature of our contracts in the Caspian region; our continued focus on cost control initiatives and operational excellence; our Anticipated fleet being suitable to primarily provide services in connection with the more stable development and production phases (compared

to the more volatile exploration phase); and our focus on shallow-water operations that have lower extraction costs and hence are comparably less vulnerable to changes in the oil price than the more expensive deepwater operations.

In order to maintain our EBITDA Margin during the current difficult market conditions, we have continued to focus on cost reductions. We have streamlined our organization by reducing levels of management, lowering overall crew costs, implementing a digitization strategy across our fleet aimed at cost reductions, among other initiatives, which allowed us to achieve operational cost reductions of \$35 million in the year ended December 31, 2016.

Modern, versatile, technologically advanced and valuable fleet. We operate a modern, versatile fleet of vessels, including AHTSVs, PSVs, MPSVs, ERRVs, barges, crew boats and other specialized vessels. Our fleet consists of 120 vessels (including 23 vessels under construction) with an Anticipated Fleet Average Age age of 7.4 years. Our existing fleet of 97 vessels, as of March 31, 2017, was valued by a third-party independent valuation expert on February 14, 2017 at a median valuation of approximately \$696.5 million.

Our clients value OSVs that have increasingly high technical specifications and capabilities. Such requirements may include newer vessels, larger vessel dimensions, increased technological sophistication and expanded operational capabilities, such as dynamic positioning systems, improved operational reliability, increased power and winch capacity, lower fuel consumption and the ability to operate in harsh environments. We believe that our young, advanced and versatile fleet of 120 vessels (including 23 vessels currently under construction) and proven track record of operating OSVs provide us with a competitive advantage. Additionally, our newer vessels require less maintenance and refurbishment work than older vessels, which we believe results in less downtime and greater reliability for us and for our clients. Our approach allows us to cater to a wider range of our clients' production and development needs. We also believe that the age, sophistication and versatility of the vessels we offer to our clients have helped reduce the impact on our business of lower industry utilization levels.

We expect the MCVs, currently under construction for the TCO Future Growth Project, to further enhance our existing fleet's value and capabilities. The TCO Future Growth Project requires the design, construction, mobilization and operation of 20 MCVs (of which 17 will be owned and operated by us, and three will be managed by us). The 17 MCVs that will be owned and operated by us have been specially designed to carry up to 1,800 tons of cargo and navigate the shallow Russian river system and the Northern region of the Caspian Sea. The remaining three MCVs to be managed by us will have wider hulls and will operate in the Kazakhstani part of the Caspian Sea. Under the TCO Future Growth Project's contractual terms, the approximately \$325 million construction costs for all 17 MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company's balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel. See "*Presentation of Financial and Other Information—Revenue, EBITDA and Cash Flows from the TCO Contract.*" These innovative new classes of vessels are designed to replace less specialized and less flexible tugs and barges with a bespoke ship design, and we believe the MCVs will thereby reduce costs, improve safety and enhance operations. For further information, see "*Business—Contracts.*"

Excellent operational and health and safety records. Our long-standing operations demonstrate a strong track record for both operational performance and health and safety.

We have invested substantially in our Owned Fleet and in our operational processes in order to ensure the safe and efficient performance of our vessels even as we have otherwise reduced costs. Our expenditure on technological advancements in our Owned Fleet, our high-quality personnel and our emphasis on training to optimize our practices has resulted in a low incident rate and helped to minimize downtime on our vessels.

Our HSE performance consistently exceeds industry benchmarks, which is an attractive and differentiating factor for our clients, who prioritize safety, efficiency and reliability. Our existing fleet is compliant with relevant industry and quality standards relating to the control of work processes and safety management, HSE standards and labor conventions. We are a long-standing and active member of the International Marine Contractors Association, an international trade association promoting safety within the offshore, marine and underwater engineering industries.

We are the recipient of several operational and safety awards by recognized shipping industry societies. For example, in 2015, we were the recipient of the Lloyds List "Offshore and Energy" and "Maritime Services" Awards and the Seatrade's "Safety and Quality" Award.

Attractive financial profile with strong cash flow conversion. Our ratio of net senior debt to EBITDA of 4.5x as of March 31, 2017 remains driven by our commitment to a conservative financial policy and continued focus on operating cost reductions and operational excellence. Our aim is to continue to reduce debt and to achieve conservative leverage levels.

For the twelve months ending March 31, 2017 and for the years ended December 31, 2016, 2015 and 2014, we had cash flow conversion of 87%, 85%, 77% and 90%, respectively. Our high cash flow conversion is attributable to our limited maintenance capital expenditures, attributable to our modern existing fleet.

Experienced management team. We have a management team with extensive experience in the OSV industry and strong relationships with key clients. Our management team averages 25 years of relevant experience and combined expertise in all aspects of the commercial, technical, operational and financial areas of our business. We believe that our management team's considerable knowledge and experience enhance our ability to operate effectively, capitalize on business opportunities, preserve consistent levels of prudence and discipline with respect to return on capital for fleet deployment and maintain a robust balance sheet position. Our team's contacts in the industry provide us with valuable access to a wide range of clients and industry participants.

Our Strategy

Our goal is to become a global leader in our industry with second-to-none local expertise and profitability in the top quartile. The key elements of our strategy include:

Focus on the development and production phases of shallow-water projects for blue-chip E&P clients

We intend to continue to focus on the development and production phases of the oil and gas industry life cycle and particularly on shallow-water operations that have lower extraction costs and are comparably less vulnerable to changes in the price of oil than deepwater operations. Development and especially production activities are generally less impacted by oil price volatility due to the political and economic commitment made prior to implementation of these phases compared to activities during the exploration phase which therefore face a higher risk of cancellation and suspension during a downturn. This focus has provided us with relative stability during recent market volatility and supported our EBITDA Margins.

Focus on operational excellence

We are focused on maintaining our best-in-class operating standards and HSE excellence throughout the organization. Being ahead of industry benchmarks in safety and sustainability is a key differentiator to our clients, who are also heavily focused on safety in their operations. This strategy is core to our aim of forging and strengthening relationships with both our existing customers (which include leading IOCs such as BP, Chevron, ExxonMobil and Total and NOCs such as Saudi Aramco) and new blue-chip customers.

We aim to maintain and upgrade our fleet to meet and exceed the expectations of our clients. We believe that our continued operational excellence will allow us to proactively meet our clients' demands and seek other long-term valuable contract opportunities in other regions as the overall market conditions improve.

Diversify our strategic portfolio by developing existing and new client relationships

We aim to continue to diversify our order book and reduce dependence on any single market. As we continue to build on our strong reputation through winning new contracts, such as the TCO Future Growth Project contract, we believe that our opportunities with blue-chip clients, such as Chevron and ExxonMobil, will increase. As part of the TCO Future Growth Project, we have become a recognized global vendor to these IOCs and expect to pursue additional opportunities with them. Our relationship with TCO may also open up opportunities for us to partner with and service other top-tier customers who require similar solutions. We believe this provides the potential to create new strategic paths globally for achieving our strategy of a more diversified marine platform over the longer term. Topaz Solutions will further aim to provide avenues for growth as we seek to eventually redeploy our newly constructed MCVs once the TCO Future Growth Project has been completed.

Our experienced, high quality fleet and operational excellence have enabled us to develop a strong track record of contract renewals, demonstrated most notably in 2016 through the renewal and consolidation of our BP contracts in Azerbaijan into a new \$750 million five-year contract (with two one-year extension options). Our contract backlog of approximately \$1.5 billion as of March 31, 2017 is the highest in our history, demonstrating our ability to continue to win contracts in difficult market conditions and supporting our pursuit of opportunities to tender to new and existing clients.

While our Caspian market accounts for the majority of our revenue and EBITDA, we aim to diversify our geographic footprint. We are committed to supporting our clients in other key markets (such as MENA and West Africa where we already operate). The majority of the tenders that we currently have outstanding relate to additional business opportunities in MENA and West Africa. We believe that we are seeing greater activity in those regions than we have in the recent past, and given that we have existing capabilities in both regions, we believe we will generate additional

revenue and EBITDA in those regions in the future. In addition, given that we are a recognized global vendor to BP, Chevron, ExxonMobil, Saipem and Shell, our strategy is to seek contracts with these and other clients in regions where we do not currently operate.

Maintain a prudent financial policy

We aim to continue to de-risk our business using a prudent financial policy while maintaining our operational excellence. We have focused on reducing our total gross debt, which has decreased from \$810.1 million for the year ended December 31, 2014 to \$735.6 million for the year ended December 31, 2016, demonstrating our commitment to reducing our leverage despite the downturn in the OSV industry. See “*Industry Overview—Overview of Competitive Landscape*.” We are targeting future reductions in gross debt and leverage by using cash flows generated through maintaining our stable base in the Caspian region, especially with our renegotiated long-term BP contract, and capturing near-to-medium term revenue growth through our TCO Future Growth Project.

We have sought to diversify our sources of funding, including through the robust backing from our Principal Shareholder and the equity investment from our minority shareholder, SCPE. We aim to continue collaborating with our supportive shareholders while we strengthen our ties with, and further develop, our long-term banking relationships. We will seek opportunities to access the public and private debt markets to grow our business and improve our capital structure.

Furthermore, we have remodelled our cost base since 2014, which has resulted in estimated cost reductions of \$35 million in the year ended December 31, 2016. We will continue to focus on operating costs and to drive our operating efficiencies by focusing on digitization across our fleet and reducing overhead costs through, for example, our continued implementation of a shared service model.

Maintain a disciplined approach to growth

We believe that we are well positioned to benefit from an upturn in the overall market as E&P capital expenditure recovers. Within this context, we will carefully seek out growth opportunities where they meet our stringent investment criteria and that enable us to maintain our industry-leading profitability and do not lead to excessive risk.

In the short term, we intend to grow our business through securing new contracts for our existing fleet, and the successful execution of the TCO Future Growth Project.

In the medium term, we believe that we are well positioned to benefit from new opportunities for our MENA and Subsea segments. Given the shallow-water nature of the MENA region (which our fleet of 120 vessels (including 23 vessels currently under construction) is well positioned to service), and the \$11 billion of projects estimated for 2017–2021 (source: Westwood Global Energy Group report), we believe that additional opportunities will arise during the next four years. In addition, we expect that oilfield operators will increase maintenance expenditures in MENA and elsewhere due to the low levels of such expenditures in recent years. We intend to leverage our new Subsea vessels (currently under construction) as these are ideally positioned to benefit from any such increases in MENA market activities as well as our young and capable existing fleet to compete for such maintenance contracts.

In the longer term, we have positioned our vessels to assist our clients as they increase their operations in other parts of the world that we believe have potential for growth, including West Africa. We currently have six vessels in the region. Westwood Global Energy Group forecasts an increase in activity in West Africa in the medium term from 2019. Given our close client relationships and experience in the region, we believe we will be well positioned to benefit from such growth. We also believe that there are growth opportunities in other regions, and we intend to pursue selective growth in these regions by assessing opportunities through contracts that meet our prudent investment criteria.

Our aim is to ensure that our fleet is optimally utilized to further our growth strategy. As there are currently a large number of vessels trading at distressed levels, we could consider opportunistic acquisitions of vessels as long as we have suitable contract coverage meeting our prudent investment criteria.

We also intend to grow our business by providing innovative solutions in the offshore energy sector, focusing on critical logistics support and maritime solutions. Our Topaz Solutions segment demonstrates our ability to create bespoke solutions through our differentiated response to the logistics challenges faced by TCO, with the design of a new class of vessel to meet unique challenges. In addition, our new Subsea vessels (which are under construction), which will upgrade existing tonnage, are well suited to the operation of remotely operated underwater vehicles (“ROVs”) in greater depths of water, which will help us to develop an expanded service offering that includes light construction and other inspection, repair and maintenance (“IRM”) activities.

Trading Update and Recent Developments

Trading Update

Based on unaudited management accounts for the three months ended June 30, 2017, our revenue decreased by approximately 20% and our EBITDA decreased by approximately 29% compared to the three months ended June 30, 2016, due to (i) the phased completion of phase I of the Kashaghan project which resulted in a reduction of assets working on the field compared to the prior period, (ii) lower barge traffic in Russia and Kazakhstan after the three months ended March 31, 2017, (iii) a delay in the opening of the RIWS in 2017 due to extended winter conditions and (iv) dry-docking certain vessels that were idle during the period but active during the same period in 2016.

Subsequent to March 31, 2017, \$10.5 million of cash on our balance sheet was used to repay principal and interest outstanding under Tranche A of our CTA Facility, and commitment and agency fees under Tranche B of our CTA Facility, and a further \$15.1 million of cash on our balance sheet was used to make an interest payment in respect of the Existing Notes. Based on an initial review of our financial position in our unaudited management accounts, we estimate that our cash position as of June 30, 2017 was approximately \$35.0 million.

The above information is based on preliminary results and estimates and is not intended to be a comprehensive statement of our financial or operational results for the three months ended June 30, 2017. Such information has been prepared by management and has not been audited, reviewed or verified by our independent auditors. The preliminary results mentioned above are derived from our management accounts, rather than our unaudited interim financial information, which will be prepared in accordance with IFRS. Our preliminary estimates are based on a number of assumptions that are subject to inherent uncertainties and subject to change. In addition, while we believe these estimates to be reasonable, our actual results may vary from our preliminary results and estimates above, and such variations could be material. As such, you should not place undue reliance on them. See “Forward-Looking Statements” and “Risk Factors” for a more complete discussion of certain of the factors that could affect our future performance and results of operation.

Recent Developments

On June 29, 2017, we entered into an amendment to the common terms agreement, originally dated April 30, 2015 and amended on September 22, 2016, with, among others, certain financial institutions, as lenders, and Standard Chartered Bank, as global facility agent, conventional facility agent, investment agent and security agent (as amended, the “**CTA Facility**”).

On July 6, 2017, we entered into an amendment to a term loan facility agreement, originally dated September 15, 2016 with, among others, the Parent, TEAM VI Limited and TEAM XLVI Limited, as borrowers and guarantors, HSBC Bank plc, as arranger, facility agent and export credit agency coordinator, and HSBC Corporate Trustee Company (UK) Limited, as security agent (as amended, the “**Vessel Term Loan Facility**”).

The purpose of the amendments of the CTA Facility and the Vessel Term Loan Facility was to reset the respective existing covenants to enhance our liquidity position and headroom for the future as well as to facilitate refinancing our Existing Notes. For further details on the amendment to the Vessel Term Loan Facility, see “*Description of Certain Financing Arrangements—Outstanding Credit Facilities.*”

Topaz Marine S.A.

As of March 31, 2017, Topaz Marine S.A. had subscribed share capital of \$33,870.6, comprised of 31,000 shares with a nominal value of \$1.0926 each, which was increased on July 7, 2017 to a subscribed share capital of \$43,400, comprised of 31,000 shares with a nominal value of \$1.40 each.

CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

Statement of comprehensive income data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2017
	2014	2015	2016	2016	2017	2017
	(\$ in thousands)					
Revenue	404,622	362,470	282,087	77,707	58,211	262,591
Cost of revenue	(217,251)	(218,590)	(178,303)	(47,472)	(37,337)	(168,168)
Gross profit	187,371	143,880	103,784	30,235	20,874	94,423
Administrative expenses	(45,673)*	(39,978)*	(33,605)	(8,689)	(6,672)	(31,588)
Other income	426	100	453	—	—	453
Profit from operations	142,124*†	104,002*†	70,632	21,546	14,202	63,288
Finance costs	(65,121)	(70,217)	(59,576)	(14,916)	(13,905)	(58,913)
Finance income	1,464	971	—	348	40	40
Impairment loss on vessels ⁽¹⁵⁾	(4,000)*	(71,000)*	(99,600)	—	—	(99,600)
Profit/(loss) before income tax for the period	74,467	(36,244)	(88,544)	6,978	337	(95,185)
Income tax expense	(22,371)	(22,248)	(13,534)	(5,015)	(3,715)	(12,234)
Profit/(loss) for the period	52,096	(58,492)	(102,078)	1,963	(3,378)	(107,419)
Changes from cash hedges	(158)	—	—	—	—	—
Total comprehensive income/(loss) for the year	51,938	(58,492)	(102,078)	1,963	(3,378)	(107,419)

* This figure has been amended to reflect the reclassification of impairment loss on accounts receivable from impairment losses to administrative expenses to conform with the December 31, 2016 presentation. The financial information for the years ended December 31, 2014 and December 31, 2015 are not directly comparable to the corresponding amount in the audited consolidated financial statements for the years ended December 31, 2014 and December 31, 2015, respectively.

† This figure has been amended to reflect the movement of impairment loss on accounts receivable from above the profit from operations line to below the profit from operations line to conform with the December 31, 2016 presentation. The financial information for the years ended December 31, 2014 and December 31, 2015 is not directly comparable to the corresponding amount in the audited consolidated financial statements for the years ended December 31, 2014 and December 31, 2015, respectively.

Statement of financial position data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2017
	2014	2015	2016	2016	2017	2017
	(\$ in thousands)					
Property, plant and equipment	1,314,556	1,222,439	1,198,912	1,218,803	1,238,070	1,238,070
Inventories	4,314	3,326	5,689	3,334	6,795	6,795
Accounts receivable and prepayments	112,594	100,158	109,565	93,048	71,110	71,110
Bank balances and cash	63,414	55,069	39,459	74,802	57,207	57,207
Total assets	1,542,225	1,427,664	1,407,188	1,436,880	1,435,485	1,435,485
Total equity	669,347	573,955	462,877	575,918	459,499	459,499
Total liabilities	872,878	853,709	944,311	860,962	975,986	975,986

Statement of cash flows data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2017 ^(a)
	2014	2015	2016	2016	2017	
	(\$ in thousands)					
Net cash flows generated from operating activities	208,918	159,335	256,017	49,738	89,586	295,865
Net cash flows used in investing activities	(298,113)	(47,082)	(153,333)	(15,454)	(56,419)	(194,298)
Net cash flows used in financing activities	(18,688)	(107,598)	(118,294)	(14,551)	(15,419)	(119,162)
Increase/(decrease) in cash and cash equivalents	(107,883)	4,655	(15,610)	19,733	17,748	(17,595)
Cash and cash equivalents at the start of the period	158,297	50,414	55,069	55,069	39,459	74,802
Cash and cash equivalents at the end of the period	50,414	55,069	39,459	74,802	57,207	22,584

Other financial data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2017
	2014	2015	2016	2016	2017	
	(\$ in thousands, except where otherwise indicated)					
EBITDA ⁽¹⁾⁽¹¹⁾	203,749	174,572	145,004	39,719	31,277	136,556
EBITDA Margin ⁽¹⁾	50.4%	48.2%	51.4%	51.1%	53.7%	52.0%
Cash flow available for debt service before growth capital expenditure ⁽²⁾	187,335	128,117	113,844	43,484	20,744	91,104
Gross debt ⁽³⁾	810,120	789,000	735,625	780,473	726,125	726,125
Net debt ⁽⁴⁾	759,706	733,931	696,166	705,671	668,918	668,918
Maintenance capital expenditure	(19,700)	(40,000)	(21,401)	(6,200)	(3,200)	(18,401)
Growth capital expenditure ⁽⁵⁾	(276,500)	(18,100)	(22,600)	(9,200)	(2,900)	(16,300)

Operational data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015	2016	2016	2017	2017
Total vessels in fleet at the end of the period.....	95	96	97	97	97	97
Average core asset utilization rate for the period	86.7%	83.8%	73.1%	80.6%	62.1%	68.3%
Average non-core asset utilization rate for the period	70.3%	82.3%	48.7%	67.1%	15.0%	35.8%
Average total fleet utilization rate for the period ⁽⁶⁾ : ...	80.1%	83.2%	63.1%	75.2%	43.6%	55.1%
Caspian	90.9%	95.9%	87.7%	90.6%	79.9%	85.1%
Caspian core assets/fleet—Azerbaijan.....	90.8%	95.9%	97.0%	94.8%	92.0%	96.3%
Caspian core assets/fleet—Others.....	91.8%	96.6%	50.1%	71.8%	35.1%	41.4%
MENA core.....	90.7%	86.8%	61.7%	72.6%	49.8%	55.6%
Subsea core	90.7%	82.9%	65.8%	86.1%	44.6%	54.4%
Africa core	61.9%	43.9%	47.0%	62.5%	32.9%	39.2%
Total average fleet utilization rate.....	80.1%	83.2%	63.1%	75.2%	43.6%	55.1%
Average core fleet day rate for the period ⁽⁷⁾ (in \$)	19,388	18,472	17,042	17,237	15,776	16,683

	As of December 31,					As of March 31,
	2012	2013	2014	2015	2016	2017
	(\$ in millions)					
Historical backlog:⁽⁹⁾						
Fixed-term contract	—	614	468	298	1,184	1,152
Client extension options.....	—	554	517	406	296	319
Total backlog.....	941	1,168	985	704	1,480	1,472

	2017 ⁽⁹⁾	2018	2019	2020	2021	2022 and thereafter
	(\$ in millions)					
Backlog forecast:⁽¹⁰⁾						
Fixed-term contracts.....	150	284	331	311	72	3
Client extension options.....	8	20	23	17	107	145
Total backlog.....	159	304	354	328	179	148

- (1) EBITDA represents profit/(loss) before income tax for the period less any finance income plus impairment losses on vessels, depreciation and amortization and finance costs. This metric reflects 100% of the earnings generated by the joint ventures in which we maintain a controlling interest. EBITDA Margin is EBITDA divided by revenue. EBITDA and EBITDA Margin are intended to provide additional information to investors and analysts, do not have any standardized meaning prescribed by IFRS and should not be considered in isolation or as substitutes for measures of performance prepared in accordance with IFRS. EBITDA and EBITDA Margin exclude the impact of cash costs of financing activities and taxes, and the effects of changes in working capital balances, and therefore are not necessarily indicative of operating profit or cash flows from operations as determined under IFRS. Other companies may calculate EBITDA and EBITDA Margin on a different basis. Solely for purposes of this Corporate Presentation, we refer to “EBITDA” and “EBITDA Margin” as defined in our reporting as “EBITDA” and “EBITDA Margin.” The calculation of EBITDA in this Corporate Presentation may be different from the calculation of Consolidated EBITDA under the Existing Indenture.

The following table reconciles profit/(loss) before income tax for the period to EBITDA for the periods indicated:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015	2016	2016	2017	2017
	(\$ in thousands)					
Profit/(loss) before income tax for the period.....	74,467	(36,244)	(88,544)	6,978	337	(95,185)
Finance income	(1,464)	(971)	—	(348)	(40)	(308)
Finance costs	65,121	70,217	59,576	14,916	13,905	58,913
Depreciation and amortization	61,625	70,570	74,372	18,173	17,069	73,268
Impairment losses on vessels	4,000	71,000	99,600	—	—	99,600
EBITDA.....	203,749	174,572	145,004	39,719	31,271	136,556

- (2) The following table provides a reconciliation of EBITDA to cash flow available for debt service before growth capital expenditure for the periods indicated:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015	2016	2016	2017	2017
	(\$ in thousands)					
EBITDA	203,749	174,572	145,004	39,719	31,277	136,556
Change in working capital	20,496	16,706	17,012	15,084	(3,781)	(1,847)
Income taxes paid.....	(17,210)	(20,961)	(17,771)	(5,119)	(3,552)	(16,204)
Maintenance capital expenditure	(19,700)	(40,000)	(21,401)	(6,200)	(3,200)	(18,401)
Dividends paid to non controlling interests	—	(2,200)	(9,000)	—	—	(9,000)
Cash flow available for debt service before growth capital expenditure.....	187,335	128,117	113,844	43,484	20,744	91,104

- (3) Gross debt is total liabilities less accounts payable and accruals, due to related parties, income tax payable, employee's end of service benefits and fair value of derivatives plus unamortized loan transaction costs.
- (4) Net debt represents gross debt less cash and cash equivalents.
- (5) Growth capital expenditure is the payment towards the acquisition of new vessels during the period. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Obligations—Committed and Anticipated Capital Expenditures."*
- (6) The average utilization rate of a vessel in a given period is calculated retrospectively by reference to the number of days in that period that the vessel was deployed as a percentage of days in the period on which the vessel was available for deployment, being 365 days less days required for dry-docking. The average existing fleet utilization rate is the average utilization rates for all vessels in our existing fleet weighted by the average number of days our vessels were deployed during the period.
- (7) The average day rate for a vessel in a given period is, for the purposes of this Corporate Presentation, calculated as the total revenue generated by that vessel in that period, divided by the number of days on which that vessel was deployed during that period (whether under one or more contracts and/or for one or more clients). The average existing fleet day rate is the average day rates for all vessels in our existing fleet for the period weighted by the average number of days our vessels were deployed during the period. The average existing fleet day rates for the year ended December 31, 2013 was \$15,878.
- (8) Impairment loss on vessels is assessed at each reporting period. The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 "Impairment of Assets." For further information see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies."*
- (9) Our backlog from 2013 to 2014 decreased primarily as a result of certain of our contracts reaching the end of their fixed terms without being extended by our clients as well as an early termination for convenience on one of our vessels for which we received the early termination fee. See *"Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results."*

Our backlog from 2014 to 2015 decreased primarily as a result of certain of our contracts reaching the end of their fixed terms without being extended by our clients, as well as the renegotiation of two contracts in Kazakhstan, which resulted in the early termination of these contracts in exchange for the waiver by the client of a purchase option related to the vessels. We believe the commercial and financial benefits of the waiver by the client of the purchase option related to our vessels outweighed the lost revenue from the terminated charters.

- (10) This table sets forth our backlog for the remainder of 2017 and as of and for the years ended December 31, 2018, 2019, 2020, 2021 and 2022 and thereafter, forecasted as of March 31, 2017.
- (11) Our core fleet, which includes vessels with higher utilization rates than the other vessels in our fleet, generated \$122 million of EBITDA for the twelve months ended March 31, 2017 representing 89% of our total EBITDA for the period. For the twelve months ended March 31, 2017, our core fleet in the Caspian region generated EBITDA of \$117 million (representing 88% of our total EBITDA generated in the region for the period), our core fleet in the MENA and Subsea region generated \$9 million (representing 100% of our total EBITDA generated in the region for the period) and our core fleet in Africa generated EBITDA of \$(4) million representing 84% of our total EBITDA generated in the region for the period).

RISK FACTORS

The occurrence of any of the events discussed below could materially adversely affect our business, financial condition or results of operations. Additional risks not currently known to us or that we now deem immaterial could also adversely affect our businesses, results of operations, financial condition or our ability to fulfill our obligations.

This Corporate Presentation contains “forward-looking” statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Corporate Presentation. See “Forward-Looking Statements.”

Risks Related to Our Business and Industry

Our business depends on the level of expenditure by the oil and gas industries, which is affected by the prices of oil and gas and global economic conditions.

The success of our business is dependent upon the level of expenditure on exploration, development and production by the international and national oil and gas companies that constitute the majority of our client base. The oil and gas exploration and production industry historically has been characterized by significant changes in the levels of exploration and development activities. The global economic downturn has contributed to oil and gas price volatility in recent years and future economic downturns may again impact prices adversely. The prices of oil and gas fell significantly during the second half of 2014 and through 2015, resulting in a curtailment in offshore activity, which has impacted the offshore industry significantly. Despite a gradual increase in oil prices in 2016, the OSV market has yet to recover and is still affected by low capital expenditure by oil companies, which is at a ten-year low. Additionally, the level of offshore drilling activity is adversely affected when operators reduce or defer new investment in offshore projects, reduce or suspend their drilling budgets or reallocate their drilling budgets away from offshore drilling in favor of other priorities, such as shale or other land-based projects. Prolonged periods of low natural gas prices have a negative impact on the development plans of exploration and production companies, which in turn results in a decrease in demand for offshore support vessel services. The rise in production of onshore natural gas and oil, primarily from onshore shale fields, as a result of improved drilling efficiencies that are lowering the costs of extraction, has resulted in a reduction of capital invested in offshore oil and gas exploration.

The levels of expenditure on exploration, development and production activities have varied over long periods and may continue to do so. A continuation of current low oil prices and low levels of oil company capital expenditure, however, as well as any new prolonged downturn in the overall level of exploration and development activities, could materially and adversely affect our business, financial condition and results of operations.

Global and regional oil and gas exploration, development and production activity is affected by numerous factors beyond our control, including:

- the demand for energy, which is determined by population growth and general economic and business conditions;
- oil and gas production by countries not members of the Organization of Petroleum Exporting Countries (“OPEC”), particularly the near-to-medium term production from U.S. shale oil;
- the policies and laws of various governments regarding the exploration, development and production of their oil and gas reserves, energy sources and energy efficiency requirements;
- the implementation or lifting of sanctions on oil-producing countries;
- the costs of exploration, development and production;
- increased crude oil production from other sectors, including the exploitation of shale reserves in the United States and the growth in its domestic oil production and exportation;
- technological advancements that may drive further increases in production and reductions in the cost of shale oil and natural gas;
- the ability of OPEC to set and maintain production levels for oil;

- the capital expenditure budgets of major national and international oil companies, and the types of projects to which these expenditures are allocated;
- political and economic uncertainty and sociopolitical unrest;
- the level of worldwide oil exploration, development and production activity;
- the current favorability for the development of onshore projects due to their relative position on the cost curve;
- the availability and prices of alternative energy sources;
- developments in hydraulic fracturing, or “fracking,” which has significantly increased the recoverable reserves from certain shale formations, resulting in increased oil and gas production;
- advances in exploration, development and production technology; and
- the weather and other natural conditions.

The occurrence of any of the above-listed factors, among others, could further delay a full recovery in the OSV industry or result in substantial and extended declines in the level of activity in the oil and gas industry. Even if oil prices were to rebound to pre-2014 levels, capital expenditures by companies operating in this industry may not necessarily increase by a corresponding amount, or at all. Further stagnation or decline in our clients’ operational activity could reduce demand for our services and cause either a reduction in our utilization or downward price pressure on day rates, or both, which may in turn result in us offering our services at reduced prices, securing fewer and less profitable new contracts and securing fewer extensions or renewals of existing contracts, among other consequences.

Crude oil prices are highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil, and this volatility has been particularly pronounced since 2014. Since the second half of 2014, crude oil prices have dropped sharply primarily due to a supply surplus resulting from, among other factors, increased shale oil production in North America and the decision by OPEC not to reduce production in the face of weaker demand growth. Crude oil prices continued to decline through the first half of 2016 with high levels of volatility. While crude oil prices slightly recovered in the second half of 2016 due to OPEC’s agreement to reduce production levels and expectations of a return to balance in supply and demand in global oil markets, future price levels for oil and gas remain uncertain. The oversupply of crude oil and stagnant demand could continue, sustaining current depressed activity levels, or resulting in further declines.

New vessel acquisitions may increase our exposure to oil price volatility at times. We occasionally do not have client contracts in place for new vessels prior to acquisition. At times, we invest in new vessels based on perceived market opportunities, particularly in the MENA region and our subsea operations. In the event of reduced activity and expenditures by the oil and gas exploration and production industry, we may not be able to generate the revenue anticipated from such vessels and may be required to sell them in order to repay debts or generate cash flows to fund other parts of our business. The occurrence of any of the events discussed above may have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be adversely affected by economic, political and other conditions in the countries in which we operate, or may operate in the future.

We have historically generated most of our revenue from operations in the Caspian region (76.3% of our revenue for the twelve months ended March 31, 2017), the MENA region and in respect of our Subsea operations (20.0% of our revenue for the twelve months ended March 31, 2017) and Africa (3.7% of our revenue for the twelve months ended March 31, 2017). Economic, political and social conditions in these regions, as well as other regions in which we operate, can be volatile and may deteriorate in the future. In particular, in recent years, many countries in the MENA region have experienced continued levels of political instability, civil disturbances, labor unrest and violence, among other adverse events. Conditions in the MENA region may deteriorate further in the future, and political instability may spread to additional countries in which the Group operates. For instance, on June 5, 2017, the Kingdom of Saudi Arabia, Egypt, Bahrain, the UAE, Libya and Yemen implemented an embargo and severed diplomatic ties with Qatar over the country’s alleged support of terrorism, which has since resulted in Moody’s downgrading Qatar’s economic outlook. Additionally, the Caspian region has been historically characterized by disputes relating to the maritime borders among five states that border the Caspian Sea, and any disruption of our operations in the Caspian Sea could substantially affect our business given the disproportionate amount of revenue we generate in this region.

Some of the conditions that may arise in the regions in which we operate include:

- economic contraction or volatility;
- current vessels operating in specific regions may be excluded from future contracts dependent on local factors;
- currency collapse, devaluation or appreciation and the introduction of price controls;
- increased government interest rates or the reduced availability of credit;
- the introduction or tightening of currency control restrictions or other restrictions on the movement of funds;
- difficulties in collecting accounts receivable and longer collection times than in more developed markets;
- the nationalization or expropriation of privately owned assets, or other political interference;
- the cancellation or unenforceability of contractual rights or title to real property;
- theft and fraud;
- changes in trade laws, sanctions or embargos;
- the introduction or tightening of foreign ownership restrictions;
- changes in local legal or regulatory requirements, or their interpretation, in the operation of our business, including environmental rules, contracting or bidding requirements, local content requirements, or various other areas of labor (such as the availability of work permits), and contract or natural resource law;
- social and political instability, including civil disturbances;
- disruptions in operations due to strikes or other labor unrest;
- outbreaks of war, rebellion, terrorism or other acts of violence; and
- natural disasters or outbreaks of disease.

We also plan to expand our business in other emerging markets, including the Mediterranean, which may present similar, and potentially greater, risks.

In addition, a number of countries in which we operate, or may operate in the future, are perceived to have relatively high corruption levels, including countries in the Caspian, MENA and Africa regions (Source: Transparency International, Corruption Perceptions Index 2016). We cannot always prevent or detect corrupt or unethical practices by third parties, such as subcontractors, fellow consortium members or joint venture partners, which may result in substantial fines and penalties, in addition to reputational damage to us. The economic, political and other conditions in the countries in which we operate, or may operate in the future, could result in disruptions to our business and have a material adverse effect on our results of operations, financial condition and prospects.

Our future business performance depends on our ability to win new contracts and to renew and extend existing contracts.

We generally enter into new contracts through a tender process and, in certain circumstances, renew certain existing contracts. It is generally difficult to predict whether we will be awarded such contracts. The tenders are affected by a number of factors beyond our control, such as prevailing market conditions and governmental and co-venturer approvals required of our clients. Often, we must pre-qualify to participate in such tenders. If some of the tenders in which we participate are open for longer than is typical or if we are not selected at all, then our work flow may be interrupted. In addition, our opportunities to win tenders may become more limited mainly as a result of increased price competition due to the general downturn in the market. Additionally, there is no guarantee that we may successfully renew our contracts or at all, and an inability to renew one or more of our larger contracts could substantially reduce our revenue. See “—*In any given period, we may rely on a small number of key clients or contracts for a significant*

proportion of our revenue.” Any such result can negatively impact our business, results of operations, financial condition and prospects.

Further, if we are unable to sign new contracts that start immediately after the end of our current contracts, or if new contracts are entered into at day rates substantially below the existing day rates, or on terms otherwise less favorable compared to existing contract terms, or which leave us with mobilization or demobilization costs that cannot be fully recovered, our business, financial condition and results of operations could be adversely affected.

Our existing contracts and backlog are subject to change.

Our clients may choose to terminate our contracts upon a default or nonperformance by us or, in many cases, upon the payment of a specified amount or following a specified notice period. Occasionally in the past, we have provided a vessel to a client that met the client’s specifications, but that the client later determined was not suited to the operational demands of the project. In such cases, those clients have exercised their early termination with notice rights. Our clients may contract with us for services provided by our vessels that they later decide are not sufficient for their purposes. If one of our key clients were to exercise its option to terminate one of our larger contracts, it could significantly affect our business. Additionally, there can be no assurance that we will be able to redeploy vessels following a contract termination without incurring any costs. Many of our contracts also allow for renewal at the option of the client following the initial term, which may not be exercised.

Our contract with TCO in connection with the TCO Future Growth Project requires us to build a new type of vessel to meet the unique operational demands of our client, and this contract allows the client to terminate the contract under a variety of circumstances. If the vessels we provide under this contract are unable to meet the operational demands of the client or if TCO terminates for any other reason, the return we expect from these vessels could be significantly reduced. TCO may terminate our contract for cause, for force majeure and for convenience. Upon such termination, we will have, if required by TCO, to transfer all titles, rights and obligations related to the vessels under construction to TCO. We will in such circumstances receive monetary compensation and TCO will write off all payments made to us during the construction phase of the vessels. Although our contracts provide for certain termination payments, we cannot be sure that the termination payments will adequately deter terminations or adequately compensate us for services under the contract.

Furthermore, in this Corporate Presentation we disclose our expected EBITDA Margin in connection with the TCO Future Growth Project. In calculating our expected EBITDA Margin, we have made assumptions and estimates with respect to our expected utilization, our cost base and our cost of revenue, among other factors. The assumptions and estimates underlying our expected EBITDA Margin are inherently uncertain and subject to significant business, economic, financial, regulatory and competitive risks and uncertainties that could cause our actual EBITDA Margin to differ materially from our estimates. Any adverse change in our business, or that of our client’s, could also materially alter our expected EBITDA Margin. Investors should, therefore, not place undue reliance on our expected EBITDA Margin in connection with the TCO Future Growth Project.

In certain circumstances, our clients may also choose to vary the terms of our contracts, including a renegotiation of day rates. As a result of our client basis being largely formed of large IOCs and NOCs, they typically have a high degree of influence on the terms of such renegotiations. While the amount charged by us for such variations is usually negotiated at the time of variation, in some circumstances, the amount or the basis for determining the amount may be specified in the initial contract, which may result in us realizing reduced profits or losses in relation to such variations. Additionally, certain of our long-term contracts may contain provisions that allow for downward revisions of the charter day rates. Our clients may also seek to renegotiate contract terms during periods when economic or industry conditions deteriorate or to avoid contract terminations or legal costs or to maintain client relationships. Any of the above changes that are unfavorable to us may have a material adverse effect on our business, financial condition and results of operations.

In any given period, we may rely on a small number of key clients or contracts for a significant proportion of our revenue.

We generate a significant portion of our revenue from certain key clients. Our top three customers are large NOCs and IOCs, which generated approximately 66% of our revenues in the year ended December 31, 2016. NOCs and IOCs have substantial bargaining power with respect to price and other commercial terms, which could adversely affect our profit margins. For the twelve months ended March 31, 2017, our top ten clients by revenue represented approximately 84% of our revenue. In addition, our operations within specific countries in the Caspian region are exposed to high levels of client concentration. For example, in the twelve months ended March 31, 2017, 44% of our revenue was generated from contracts with BP and AIOC. Furthermore, in 2016, we secured a contract in connection with the development of the Tengiz oilfield in Kazakhstan with TCO, which was valued at approximately \$550 million (based on expected revenue) and forms a significant part of our backlog and is estimated to have a significant positive

impact on our revenue and EBITDA from the second quarter of 2018 and a more limited positive impact on our cash flow. The construction costs of the MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company's balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel. Furthermore, in calculating our expected EBITDA Margin in connection with the TCO Future Growth Project, we have made assumptions and estimates with respect to our expected utilization, our cost base and our cost of revenue, among other factors. While we have long-term relationships with many of our key clients, there can be no assurance that our clients will enter into future contracts or renew existing contracts with us or that any future contracts they enter into will be on equally favorable terms. If demand for our services or products by any of our key clients declines, a key contract is terminated, or a key client or contract proves less profitable than we expected, it may have a material adverse effect on our results of operations, financial condition or prospects.

We may experience delays in providing services to our clients.

Our ability to deliver services to our clients may be subject to delays due to technical failures, a shortage of skilled labor, work stoppages, delays by third parties, weather interference, transportation disruptions, the inability to obtain necessary licenses, certifications and approvals, or the seizure or nationalization of a vessel, among other factors. In some instances, our contracts with clients require us to provide replacement vessels, pay liquidated damages or allow our clients to terminate the relevant contract in the event of such delays; rights which some of our clients have availed themselves in the past. In addition to any contractually specified remedies, delays may result in litigation, lost revenue and reputational damage. Such delays may also result in our backlog not being fully realized, being realized later than anticipated or not at all. Delays in the provision of our services to our clients may have a material adverse effect on our business, results of operations, financial condition and prospects.

We may experience increases in the costs of fulfilling our contractual obligations.

We may suffer cost increases as a result of increases in crew wages, consumables, the cost of licenses or the cost of maintenance services, including as a result of inflation, increases in the amount of maintenance or the number of crew required for our vessels and, where the vessels we charter are leased from third parties, increases in the costs of the vessels themselves. The majority of our revenue comes from contracts with terms greater than one year, which increases the challenges we face in accurately estimating the future costs associated with these contracts. We negotiate most of our client contracts on the basis of a fixed daily rate, which means that we usually bear the increases in the costs of operating a vessel over the length of a contract. The actual costs over the life of a contract, particularly costs relating to staffing crew on board (31% of our total costs in the year ended December 31, 2016), technical maintenance (7% of our total costs in the year ended December 31, 2016) and operational maintenance (41% of our total costs in the year ended December 31, 2016), may be higher than the estimated costs that we used in negotiating our contracts. If actual costs on a project exceed those anticipated at the time of contracting, the contract may be less profitable than expected or cause us to incur losses, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Since 2015, we have focused on delivering cost reductions and improving our operational efficiency. It is uncertain that we will be able to continue to achieve levels of cost reductions that are similar to those we have achieved in the past. We cannot assure you that these initiatives will be completed as anticipated or that the benefits we expect will be achieved on a timely basis or at all.

A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results.

As of March 31, 2017, our backlog under our fixed-term contracts was \$1,152 million and our backlog in respect of client extension options totaled \$319 million, together totaling \$1,472 million. Our backlog consists of the total estimated revenue attributable to the uncompleted portion of all of our vessel charter contracts, based on our expectations of the revenue to be generated from the remaining contract period on the basis of the day rates specified in each contract, and the extension of those contracts at the option of our clients per the terms of the contracts. The amount of our backlog does not necessarily indicate future earnings because the backlog may be deferred or adjusted down depending on any early cancellations of contracts or failures to exercise contract options. When calculating our backlog, we assume that none of the relevant contracts will be terminated prior to their stated termination dates and that all such options will be exercised, although clients are under no obligation to do so. As a result, the amount of revenue realized by us from the relevant contracts may be less than is reflected in the backlog figures stated in this Corporate Presentation. For a description of how we calculate backlog, see "*Presentation of Financial Information—Operational Data—Backlog.*"

Our backlogs are affected by our clients' contractual right of early termination and additional cancellations or defaults by our clients with respect to our backlog orders. All of our contracts provide the client with a right to early termination within the contractual notice period and not all of our contracts provide us with the right to receive

compensation in respect of such early termination. Contract terminations, nonrenewals, variations, alternative interpretations and renegotiations may result in our backlog being realized later than anticipated or not at all, and may also result in unanticipated costs, such as the costs associated with refitting or transporting vessels for redeployment (or failure to deploy), being borne by us. For example, in 2015, our business in Africa was negatively impacted by the postponement and termination of projects and this trend continued into 2016. In addition, there is no guarantee that we will realize in full our backlog related to the TCO Future Growth Project.

Further, we may not be able to realize the full amount of revenue projected in our backlog due to contract cancellations and events substantially beyond our control and, if realized, there can be no assurance that any such revenue will result in profit. For instance, some of our customers may experience liquidity issues, which could worsen if oil and gas prices fail to recover or further decline for an extended period of time. Liquidity issues could encourage our customers who are experiencing financial difficulties to seek to repudiate, cancel or renegotiate agreements with us or delay payment of our receivables. Our clients could also be subject to bankruptcy, insolvency or similar legal proceedings. See “—Our concentrated customer base in the oil and gas industry exposes us to credit and other risks” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market and Credit Risks—Credit Risk.” Thus, if we fail to fully realize our backlog, our business, results of operations, financial condition and prospects may be adversely affected.

You should exercise caution in comparing backlog as reported by us to backlog of other companies (including our Peer Group) as it is a measure that is not required by, or presented in accordance with, IFRS. Other companies may calculate backlog differently than we do because backlog and similar measures are used by different companies for differing purposes and on the basis of differing assumptions, and are often calculated in ways that reflect the circumstances of those companies. For example, other companies may exclude extension options from their backlog calculations.

We may be unable to execute our growth strategy effectively.

As part of our growth strategy, we are targeting and may selectively target new geographic markets which present challenges different from those in the markets in which we currently operate or have a significant presence. The considerations associated with entering new geographic markets, particularly with respect to emerging markets, include, among others, a lack of familiarity with local client requirements and pricing expectations, difficulties establishing relationships with local clients, a lack of familiarity with the regulatory and political environment, differing geographic and climatic conditions, the construction and operation of new vessels that have not historically been a part of our fleet, and the challenge of hiring crew of appropriate quality and experience. In addition, new markets may involve competition with entities that have a large, established market presence, government support or aid, or other competitive advantages. For further information on the risks associated with emerging markets, see “—We may be adversely affected by economic, political and other conditions in the countries in which we operate, or may operate in the future.”

In entering these new markets, as well as the markets in which we currently operate, we may selectively pursue acquisitions of, or investments in, other companies or assets, which may expose us to further risks. There can be no assurance that we will successfully enter into agreements for such transactions, or realize the anticipated benefits from our acquisitions or investments. For further information on the risks associated with acquisitions, see “—The Group has grown, and may continue to grow, through acquisitions that give rise to risks and challenges that could adversely affect the Company’s future financial results.”

From time to time, we may purchase vessels or commission the building of new vessels as part of growing our operating fleet, and we may enter into contracts that require us to fund the purchase or construction of such vessels by a certain date. There can be no assurance that we will be able to secure financing for these acquisitions on favorable terms or at all. For example, we currently have 23 vessels under construction, one of which was delivered on July 5, 2017. If we need to delay the delivery of such vessels we may be able to negotiate with our counterparties an extension of the delivery date, but there can be no assurance that our counterparties will be able or willing to do so. We are currently party to an agreement to take delivery of two new MPSVs (the Topaz Tangaroa and Topaz Tiamat) on July 10, 2017 and November 30, 2017, respectively, but we intend to delay delivery of these vessels until at least 2018. Although we have reached a verbal agreement with our counterparty in respect of our requested delay, we currently do not have a written agreement in place and hence our counterparty is contractually entitled to deliver these vessels on July 10, 2017 and November 30, 2017, respectively. If we refuse to take delivery of the vessels under such circumstances, our counterparty could sell the vessels and demand compensation for the difference between the sale price and the contract price of each vessel or take legal action against us for failure to pay for the ships as required under the original agreements. If we were to take delivery of the vessels as originally agreed, we would have to fully draw down under our \$84 million Vessel Term Loan Facility and may need to use some cash on our balance sheet to make payment on or about the delivery dates, which could adversely affect our ability to meet our covenants under our financing arrangements if we are not able to deploy these vessel in a timely manner at acceptable rates, or at all. We present certain information in this Corporate Presentation to include vessels under construction, such as the Anticipated Fleet Average Age. Our Anticipated Fleet

Average Age is adjusted to give pro forma effect to the addition of 23 vessels under construction by assuming each of the 23 vessels were delivered on the date for which such metrics were calculated, and that the age of those additional vessels was 0.0 years on this date. This metric is presented for illustrative purposes only and does not purport to represent what the composition or characteristics of our fleet would have been if these additional vessels had been delivered on the on the relevant date, or any future date.

We have in the past and may in the future seek to enter new markets, or strengthen our position in markets in which we currently operate, by entering into joint ventures or strategic alliances with local partners. For example, in order to win our contract for the TCO Future Growth Project, we entered into a consortium with Blue Water Logistics UK Limited. Such joint ventures and strategic alliances may be important to our efforts to improve our understanding of the local market, increase the number of local nationals we employ, help finance capital expenditures, and strengthen and maintain our relationships with clients and regulatory authorities. However, there can be no assurance that we will be able to identify suitable local partner candidates, successfully enter into agreements with those candidates, or realize the anticipated benefits from any such joint ventures or strategic alliances. In addition, when conducting due diligence and making assessments regarding proposed new projects, acquisitions or investments, or relationships with joint venture partners or strategic alliances, we may have limited information and may rely on information provided by third parties that cannot be verified. There can be no assurance that any due diligence or assessments that we carry out with respect to any proposed new projects, acquisitions or investments will reveal all of the relevant facts that may be necessary for evaluating the opportunity or local partner properly. Failure to identify all of the facts relevant to such opportunities may result in misinformed decision-making, which could in turn result in failure to execute our growth strategy effectively, and failure to identify all of the facts relevant to potential local partnerships could expose us to liability or expenses related to our partners' improper conduct. If we are unable to execute our growth strategy effectively, our business, results of operations, financial condition and prospects may be materially adversely affected.

We may be unable to maintain our competitive position.

The industries in which we operate are highly competitive, with competition principally based on the technical sophistication, durability, range, timeliness and price of the services and products offered; relationships with clients and intermediaries; the proportion of employees who are nationals of the relevant jurisdiction; compliance with HSE standards; and reputational strength. We may face increasing competition as a result of new market entrants, volatility in oil and gas prices, consolidation in the oil and gas industry, the deployment of additional OSVs in the regions in which we operate and other factors. We may not have the types of skills or the necessary financial resources to enable us to compete under such market conditions.

We believe that our competitors in the Caspian Sea include Caspian Marine Services, Caspian Offshore Construction, GAC Marine, Caspian Mainport, Wagenborg and Swire Seabed. In particular, our MENA operations are subject to intense competition due to the fragmented nature of the markets and excess vessel supply in that region. We believe our main competitors in the MENA region include Bourbon Offshore, Maridive, Tidewater, Halul Offshore, Zakher Marine and Zamil. The global market is also subject to intense competition. However, our operations do not directly compete with large, global operators, because we undertake contracts where we encounter suitable opportunities, rather than contending for global contracts. Attention should also be given to a potential shift in the competitive landscape as multiple OSV peers look to or are in the process of consolidation to improve competitive positioning and broaden their current service offering. Nonetheless, any failure by us to maintain our competitive position could result in us offering our services and products at reduced prices and securing fewer new contracts or fewer renewals and extensions of existing contracts, any of which could have a material adverse effect on our results of operations, financial condition and prospects.

An increase in the supply of OSVs would likely have a negative effect on charter rates for our vessels, which could reduce our earnings, and on the valuation of our vessels.

Our industry has historically experienced periods of high demand, short vessel supply and high day rates, followed by periods of low demand, excess vessel supply and low day rates. Periods of excess vessel supply intensify the competition in the industry and often result in vessels being idle for long periods of time. In such periods of excess vessel supply, such as now, we are occasionally required to stack idle vessels or enter into contracts at lower day rates until market conditions improve.

Charter rates for offshore supply vessels depend in part on the supply of the vessels. We could experience a reduction in demand as a result of an increased supply of vessels. Excess vessel capacity in the industry or a particular offshore market may result from:

- constructing new vessels;

- moving vessels from one offshore market area to another;
- converting vessels formerly dedicated to services other than offshore marine services; or
- declining offshore oil and gas drilling production activities.

Low vessel utilization and market rates have resulted in further consolidations among market participants in the OSV market, which may increase vessel capacity or competition in the industry. The addition of new capacity of various types to the worldwide offshore marine fleet or further declines in offshore oil and gas drilling and production activities are likely to increase competition in those markets in which we presently operate, which could reduce day rates, utilization rates and operating margins, and which, in turn, could adversely affect our results of operations and prospects.

Furthermore, an increase in the number of vessels able to compete with our vessels in the provision of OSV services could reduce the market valuation of our vessels, which could negatively affect our ability to dispose of our vessels in the future and otherwise adversely affect our financial condition.

An inability to raise capital on favorable terms or at all could have a negative impact on our and our clients' business.

There can be no assurance that the Group will have access to credit and financial markets on commercially reasonable terms, or at all, to refinance its indebtedness. During 2015, financing options available to offshore owners waned, making it more challenging to raise capital for the growth of our Anticipated Owned Fleet. Any future inability to obtain sufficient financing on commercially 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 results of operations, financial condition and prospects.

Furthermore, our business depends on the level of expenditure by the oil and gas industry and requires a significant amount of capital to purchase and maintain vessels, in addition to paying crew and other operational and administrative costs. Financial and economic factors such as liquidity in the market, and currency and interest rate risks which affect our clients' businesses, and thereby our business, are beyond our control. Disruptions in the capital and credit markets, such as those experienced during the recent global economic crisis, could adversely affect our and our clients' ability to access needed liquidity for working capital and growth. Sustained weakness in general economic conditions and/or financial markets could adversely affect our and our clients' ability to raise capital on favorable terms or at all, including with respect to refinancing existing debt, which could result in a general decline in the level of economic activity in the oil and gas industry. Any decline in economic activity in the oil and gas industry could adversely impact our ability to sustain our businesses and would likely increase our capital costs, which could materially and adversely affect our financial condition and results of operations.

The Group has grown, and may continue to grow, through acquisitions that give rise to risks and challenges that could adversely affect the Company's future financial results.

From time to time, we consider possible acquisitions that complement our existing operations and enable us to grow our business. Acquisitions may involve a number of risks and challenges, including, but not limited to:

- higher than expected vessel acquisition costs, including the possibility that we could pay more than the acquired company or its assets are worth;
- vessel cross-over with the acquired entity potentially impacting overall fleet utilization and cash flow generation;
- the possibility that we may not identify appropriate acquisition targets, complete future acquisitions on satisfactory terms or realize expected synergies or cost savings within expected timelines;
- unforeseen expenses, delays or conditions may be imposed upon the acquisition, including due to required regulatory approvals or consents;
- exposure to unknown liabilities (including, but not limited to, liabilities in relation to tax and environmental regulations and laws);
- the diversion of management's time and attention from existing business and business opportunities;
- the impairment of relationships with key suppliers or customers of acquired businesses due to changes in management and ownership and the restructuring of logistics and information technology systems;

- an unanticipated negative impact of liabilities relating to acquired businesses;
- the assumption of debt or other liabilities of acquired businesses, including litigation related to acquired businesses;
- the loss or termination of employees, including costs associated with the termination or replacement of those employees;
- challenges in developing an understanding of, and new technical skills with respect to, any new products offered by acquired businesses;
- growth into new geographic markets, which may require us to find and cooperate with local partners with whom we have not previously done business; and
- possible substantial accounting charges for restructuring and related expenses, the impairment of goodwill, the amortization of assets and stock-based expense.

Even if we consummate an acquisition, we may not be able to integrate other companies or assets that we may acquire effectively or implement appropriate operational, financial and management systems and controls in relation to such companies or assets. Furthermore, our investment, in all instances, remains subject to the application of relevant laws and regulations. As a result, we can provide no assurance that we will be able to fully realize the returns on our acquisitions. In addition, such acquisitions or investments may impact the effectiveness of our internal controls over financial reporting. Any of the foregoing or other factors could harm our ability to achieve anticipated profitability from acquired businesses or to realize other anticipated benefits of acquisitions, which could have a material adverse effect on our business, operating results and financial condition.

Although we analyze each acquisition target, our assessments are subject to a number of assumptions and determinations with respect to, among other things, future net sales and earnings, profitability, growth, interest rates and company valuations, our investigation of the respective businesses and other information then available. We cannot assure you that our assumptions and determinations will prove to be correct or that liabilities, contingencies or other risks previously not known to us will not arise. In addition, there can be no assurance that, following the integration into our Group, an acquired business will be able to maintain its customer base consistent with our expectations or generate the expected margins or cash flow. Any such unanticipated risks, liabilities, contingencies, losses or issues, if realized, could adversely affect our business, financial condition and results of operations.

The nature of our business involves substantial risks that are beyond our control.

We perform a significant portion of our operations offshore, which exposes us to a number of risks, such as adverse weather and sea conditions, mechanical failures, navigational errors, collisions, sabotage and hazardous substance spills. Our current and planned future offshore operations may also be subject to the risk of piracy, particularly with respect to vessels passing through the Gulf of Aden or operating in West Africa. In addition, a significant portion of our operations relate to the oil and gas industry, for which incidents, both onshore and offshore, can have significant negative consequences, including liability for environmental damage caused by events such as uncontrollable flows of oil.

Although we strive for an incident-free workplace, accidents have occurred in the past, and there can be no assurance that accidents will not occur in the future. Employees and third parties in the vicinity of our operations have suffered work-related injuries and fatalities and could in the future suffer injury, illness or death as a result of incidents or accidents or exposure to hazardous materials that we use or may discharge into the environment. Additionally, we have a limited degree of control over working conditions at those third-party sites and facilities which may apply HSE standards that are different from, and less stringent than, those maintained by us. Any HSE accident in which we are involved could result in significant reputational damage and costs, among other consequences.

We may also be liable for, and suffer reputational damage as a result of, acts and omissions of subcontractors, fellow bid consortium members or joint venture partners that cause loss or damage. We generally seek to agree back-to-back terms with such parties in order to limit our liability for such loss or damage. However, certain unanticipated acts or omissions may not be covered by such agreements and related indemnities may not be enforceable, particularly if the relevant party does not have adequate resources. Any loss or damage caused by a subcontractor, fellow bid consortium member or joint venture partner could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be unable to attract and retain qualified personnel and senior management.

Our ability to maintain and grow our business depends, in part, on our ability to attract and retain personnel with the relevant technical and industry expertise. We may face challenges in hiring such qualified personnel in a timely fashion. Additionally, in a number of the countries where we operate, we are legally required to hire some of our personnel locally, and there may be shortages in qualified local personnel in certain regions in which we operate, particularly if demand for such personnel increases. The shortage of qualified personnel in the oil and gas industry has also been compounded by a “brain drain” of qualified personnel leaving the industry. In the Kingdom of Saudi Arabia, we have paid and expect to continue to have to pay fines relating to “Saudization” requirements for the nonemployment of a certain number of Saudi nationals. Such fines have, to date, not been material to our operations but we cannot assure you that they will continue to be immaterial in the future. In addition, we may face delays and other obstacles, such as minimum education requirements, in securing work permits for foreign workers, no transfers of employee visas, reduced visa quotas or no renewals of employment certificates for foreign workers, among others. If we are unable to hire sufficient qualified personnel in a timely fashion and in compliance with relevant laws, this may result in fines, service delays, reputational damage and lost revenue, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our ability to maintain and grow our business also depends, in part, on the leadership and performance of our senior management, which we rely on for the running of our daily operations as well as for the planning and execution of our strategy. Our key clients place an emphasis on the industry and business experience of our senior management. A loss of any members of senior management without timely and adequate replacements could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our concentrated customer base in the oil and gas industry exposes us to credit and other risks.

Our customers are concentrated in the oil and gas industry, which may impact our overall exposure to credit risk as our customers may be similarly affected by prolonged changes in economic and industry conditions. Further, we are subject to the risk of nonpayment for services we have rendered and non-reimbursement of costs we have incurred. These risks are heightened when conditions in the industries in which our clients operate, or general economic conditions, deteriorate. Some of our customers are experiencing extreme financial distress as a result of the prolonged decline in oil and gas prices and may be forced to seek protection under applicable bankruptcy laws. As of March 31, 2017, our trade accounts receivable balance (net of allowance for impairment of receivable) was \$55.5 million, of which approximately 3.8% was more than 60 days past due. While we have procedures in place to monitor credit risk on our receivables, there can be no assurance that such procedures will prevent the occurrence of credit losses that could have a material adverse effect on our cash flows, results of operations and financial condition. For further information on our exposure to credit risk, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market and Credit Risks—Credit Risk.*”

Furthermore, countries that rely heavily upon income from hydrocarbon exports have been negatively and significantly affected by the drop in oil and gas prices, which could affect our ability to collect from our customers in these countries, particularly national oil companies. Laws in some of the jurisdictions in which we operate could make collection difficult or time consuming. While we maintain reserves for potential credit losses, we cannot assure you that such reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations. Additionally, in the event of the bankruptcy of any of our customers, we may be treated as an unsecured creditor and may collect substantially less, or none, of the amounts owed to us by such customer. Such results could have a material adverse effect on our cash flows, results of operations and financial condition.

We rely on local partners and third-party suppliers in the operation of our business.

We rely on local partners to gain access to local crew, help finance capital expenditures, and strengthen and maintain our relationships with clients and regulatory authorities. In the future, we may enter into other arrangements with local sponsors who facilitate and promote our operations, particularly in relation to local governmental and regulatory authorities. Any such arrangements may not be effective, may result in losses for us or may be terminated in a manner that is harmful to us. In the event that any of these arrangements becomes less effective or is terminated, we may not be able to put in place alternative arrangements and there can be no assurance that any alternative arrangements put in place would be as beneficial to us as our current arrangements.

We also rely on third-party equipment suppliers in the completion of our projects. The failure of a supplier to deliver its services, equipment or materials according to agreed terms could have a material adverse effect on our business, results of operations, financial condition and prospects. To the extent that we may not acquire equipment or materials according to our plans, our ability to complete a project in a timely fashion may be impaired. In addition, if a supplier is unable to deliver its services, equipment or materials according to the agreed terms, we may be required to purchase such services, equipment or materials from another source at a higher price. We may not be able to recover all

of these costs in all circumstances, which may reduce the profit to be realized or result in a loss on a project for which the services, equipment or materials were needed. Moreover, if we must purchase services, equipment or materials from a third party that is not our normal provider, there is a risk that we may fail to deliver at the standard to which our clients have become accustomed, which could be detrimental to our reputation.

In addition, in connection with our vessel purchases, we may be required to make certain advance payments to counterparties, which are typically supported by payment refund guarantees provided by the bank on behalf of the seller/builder. If the vessel is not delivered prior to the expiration of the guarantee and if we are unable to renew such guarantee, we may be exposed to the credit risk of the counterparty.

We may be adversely affected by risks associated with our joint venture arrangements.

One of our strategies is to establish joint ventures with strategic local players in connection with our entry into new markets. For instance, we rely on joint ventures in our operations in Azerbaijan. The success of our joint ventures is subject to risks, including our inability to maintain a good relationship with current and future business partners, reliance on the local expertise of our joint venture partner, exposure to liability or expenses related to our partners' improper conduct, and divergent economic and commercial interests between us and our business partners. We cannot assure you that our current and future joint ventures will be successful and obtain the expected results.

We currently participate in 20 joint ventures concentrated with one partner, Transmarine. Transmarine participates in the ownership of 20 vessels (accounting for 17% of our fleet of 120 vessels (including 23 vessels currently under construction) as of March 31, 2017). If our working relationship with Transmarine were to deteriorate, the value of the joint ventures could diminish or result in the termination of some or all such partnerships. The reduced effectiveness or termination of these joint ventures with Transmarine may have a material adverse effect on our operations in Azerbaijan and on our business, results of operations, financial condition and prospects.

Additionally, our joint venture agreements are subject to restrictions on voting and transfer, including "change of control" provisions. In the event of a change of control of the Company, these clauses could be triggered and could result in the termination or rescission of these agreements, which could have a material adverse effect on our business. Such risks may adversely affect our results or financial condition or cause a loss of investments in such partnerships. If such partnerships and joint ventures are not successful, our business, financial condition and expected results of operations may be adversely affected.

We may be unable to dispose of assets in the future on attractive terms.

We regularly review our asset base to assess our requirements in the light of our current and future business plans, with a view to optimizing deployed capital. We currently maintain, and plan to continue to maintain and operate, a fleet of vessels with an average age that is currently significantly less than that prevalent in the industry and which is in line with our strategy. As part of our effort to maintain an optimal fleet of vessels, we dispose of certain of our vessels from time to time when such vessels no longer fit our strategic objectives. Our ability to dispose of these nonstrategic vessel assets could be affected by various factors, including the availability of purchasers willing to purchase such assets at prices acceptable to us, and a delay or failure to dispose of our nonstrategic vessel assets could impair the quality of our fleet and could have an adverse effect on our results of operation.

Our operating and maintenance costs may not necessarily fluctuate in proportion to changes in operating revenues.

Our revenues may fluctuate as a function of changes in the market supply of OSVs and demand for offshore support services for the oil and gas industry. However, our operating costs are generally related to the number of our vessels in operation and the cost level in each region or country in which our vessels are located. For example, we have in the past maintained, and may in the future maintain, a core crew on our vessels when they are off-hire so that they can be mobilized quickly and at a lower cost when they are contracted. This results in the incurrence of crew costs even when a vessel is off-hire. In the year ended December 31, 2016, crew costs accounted for 30.6% of our cost of revenue. In addition, when a vessel is idle for a long period of time, reductions in costs may not be immediate, because maintenance of the vessel may be required.

During this most recent period of reduced demand, we have managed expenses through a cost-optimization program. Although our efforts have proven successful, we will not be able to indefinitely maintain the rate of cost reduction we have achieved through this cost-reduction program, and there can be no assurance we will be able to achieve similar cost reductions in the future. In addition, there can be no assurance that current or future efforts to reduce costs will not have a detrimental effect on our relations with our employees, our health and safety record or our compliance programs.

The service life of the vessels cannot be guaranteed and demand for vessel classes may evolve in the current markets.

The service life of our fleet of 120 vessels (including 23 vessels currently under construction) is generally expected to exceed 30 years; however, this is subject to the operation of vessels and our continued focus on general maintenance. No guarantees can be given that the useful operating life of our fleet of 120 vessels (including 23 vessels currently under construction) will meet our current expectations. In addition, demand for specific vessel classes may be impacted by external factors (such as environmental) which may impact the overall demand for our fleet of 120 vessels (including 23 vessels currently under construction), which may have an adverse impact on the cash flow profile.

The markets in which we operate, or may operate in the future, may not offer the predictability of legal systems in more mature markets.

The legal systems in the Caspian, MENA and Subsea and the Africa regions and other markets in which we operate, or may operate in the future, are still developing and have undergone significant changes in recent years. The interpretation of, and procedural safeguards relating to, these legal systems are still developing, creating the risk of inconsistency in their application and uncertainty as to the actions necessary to guarantee compliance with those laws. We may not be able to obtain the legal remedies provided for in these jurisdictions in a timely manner or at all and may not be able to enforce our rights, including our contractual rights and any judgments we obtain in our favor, effectively. A lack of legal certainty or an inability to obtain predictable legal remedies may have a material adverse effect on our results of operations, financial condition and prospects. For further information on the risks associated with emerging markets, see “—We may be adversely affected by economic, political and other conditions in the countries in which we operate, or may operate in the future.”

We conduct our business within strict environmental regimes and we may be exposed to potential liabilities.

We are subject to increasingly stringent laws and regulations relating to environmental protection in conducting the majority of our operations, including laws and regulations governing emissions into the air, discharges into waterways, and the generation, storage, handling treatment and disposal of waste materials. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of environmental laws and regulations are becoming increasingly expensive, complex and stringent. There may also be increasing pressure to disclose data in relation to the Carbon Disclosure Project which we currently do not provide. Although our clients take complete responsibility for oilfield-related environmental pollution under our contracts, we remain responsible for vessel-related pollution. Additionally, our clients may attempt to pass increasing liability on to contractors such as us over time as part of their risk management policies, and there can be no guarantee that we will successfully resist such changes.

Furthermore, natural or other disasters may result in an increase in environmental regulations and restrictions. These laws may provide for strict liability for damage to natural resources or threats to public health and safety. Strict liability can render a party liable for environmental damage whether or not negligence or fault on the part of that party can be shown and, if imposed by way of fine or penalty, is generally not something for which insurance can be procured. Certain environmental laws provide for joint and several strict liability for the remediation of spills and releases of hazardous substances. Accordingly, the Group could become subject to potentially material liabilities relating to the investigation and clean-up of contaminated properties in any jurisdiction in which the Group operates.

The Group may also become subject to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Group to incur costs or become the basis of new or increased liabilities that could have a material adverse effect on the Group’s business, financial condition or results of operations.

Regulatory authorities exercise considerable discretion.

The governments of certain countries have been increasingly active in regulating and controlling the exploration for, and production of, oil and gas and other aspects of the oil and gas industries in their countries. Regulatory authorities exercise considerable discretion in the issuance and renewal of licenses and permits, in monitoring licensees’ compliance with the terms thereof and in interpreting and enforcing applicable laws and regulations. For example, many governments favor or effectively require international contractors to employ local citizens or purchase supplies locally. These practices may result in inefficiencies or put us at a disadvantage when we bid for contracts against local competitors.

Additionally, future inspections by regulatory authorities may conclude that the Group has violated applicable laws or regulations. If the Group is unable to refute these conclusions or to remedy these violations, the regulatory authorities may impose fines, criminal and administrative penalties or severe sanctions, including the suspension, amendment or termination of the Group’s licenses, permits and insurance and compel the Group to cease certain of its business activities. For example, if one of our vessels were to discharge waste materials into the Caspian Sea in violation of national or international laws, the vessel may be detained in port or seized by local authorities and we may be subject to substantial fines. In addition, violations of any new or existing requirements could result in injunctions, reputational damage and other negative consequences. Thus, the loss of any licenses or profits may have a material adverse effect on the Group’s business, financial condition and results of operations.

Delay or inability to obtain appropriate certifications for our OSVs may result in us being unable to win new contracts and fulfill our obligations under our existing contracts.

Our clients require that our vessels are inspected and certified by a recognized independent third party in order for us to be able to participate in tenders for their projects. In addition, we are required under our contracts with our clients to maintain such certifications. Each of our vessels is certified by Classification Society and Flag Authorities. The certification process generally involves two major types of inspections, in addition to other minor inspections. An intermediate survey occurs every two to three years, usually undertaken while the vessel is in dry-dock, and is more detailed than the annual inspection, and a special survey takes place every five years and is a more detailed inspection of all of the major components of the vessels, usually undertaken while the vessel is in dry-dock. If we are unable to maintain or obtain these certifications, we may be unable to service our clients under our existing contracts and may not be eligible to participate in future tenders, which could have an adverse effect on our business, financial condition or results of operations.

We are subject to various laws, regulations and standards.

Our operations are extensively regulated by international, national and local authorities in the countries in which we operate, including with respect to labor, HSE and licensing requirements, and anti-corruption laws. For information on certain significant laws, regulations and standards to which we are currently subject, see “*Regulation.*” Additional requirements may also be imposed on us in connection with new or existing operations, including as a result of different or more stringent interpretations or enforcement of existing laws and regulations. These additional requirements may not be anticipated by us and we may need to change our operations significantly or incur increased costs in order to comply with such requirements. Compliance with any additional environmental requirements may be particularly costly and time-consuming. Additional requirements may also be imposed on our clients, which may impact the nature or profitability of their businesses and may in turn reduce demand for our services and products.

Thus, if we are unable to conduct our business in compliance with the various laws, regulations and standards to which we are subject, or if we are not able to remain compliant as they change or if such changes negatively impact the businesses of our clients, our business, results of operations, financial condition and prospects may be materially adversely affected.

We could be adversely affected by violations of applicable anti-corruption laws.

We are an international business with operations in emerging markets and in countries that are high on the Corruption Perceptions Index published by Transparency International. We are committed to doing business in accordance with our own codes of ethics and with all applicable laws, including the U.S. Foreign Corrupt Practices Act (the “**FCPA**”), the United Kingdom Bribery Act 2010 (the “**Bribery Act**”) and similar worldwide anti-corruption laws that generally prohibit companies and their intermediaries from making, offering or authorizing improper payments to government officials, private individuals or companies for the purpose of obtaining or retaining business. We operate in several countries where compliance with anti-corruption laws may conflict with local customs and practices and are subject to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws. Some of these countries lack a developed legal system and have high levels of corruption. Certain of our partners have been accused of improper actions or corruption in the past. Although we discontinue our relationships with partners who have been discovered to have acted in such a manner, there can be no assurance that we will always be able to discover such actions in a timely manner, or at all. Even though some of our local agents, joint ventures with local partners or strategic partners may not themselves be subject to the FCPA, the Bribery Act or other anti-corruption laws to which we are subject, if our agents or joint venture partners make improper payments in connection with our work, we could be found liable for violation of such anti-corruption laws and could incur civil and criminal penalties and other sanctions, and such costs could have a material adverse effect on our business, financial position, results of operations and cash flows.

Violations of anti-corruption laws (either due to our acts or our omissions) may result in criminal and civil sanctions and could subject us to other liabilities in the United States, the United Kingdom and elsewhere. Even allegations of such violations could disrupt our business, negatively affect our reputation and result in a material adverse effect on our business and operations.

There can be no assurance that we will effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners. As a result, if we fail to prevent any such violations, we could be subject to penalties and material adverse consequences for our business, results of operations, financial condition and prospects. Finally, we may be subject to competitive disadvantages to the extent that our competitors are able to secure business, licenses or other preferential treatment by making payments to government officials and others in positions of influence or using other methods that U.S., UK and foreign laws and regulations and our own policies prohibit us from using.

We may be adversely affected by litigation.

We may in the future become involved in legal complaints or proceedings initiated by our clients, employees and other third parties. These current or potential future proceedings, whether individually or in the aggregate, could involve substantial claims for damages or other payments and, even if successfully disposed of without direct adverse financial effect, they could have a material adverse effect on our reputation and divert our financial and management resources from more beneficial uses. We undertake all reasonable steps to defend ourselves in such lawsuits; however, there can be no assurance as to the ultimate outcome of such lawsuits, for which we could suffer material adverse consequences. See “*Business—Legal Proceedings.*”

Intellectual property infringement may adversely affect us.

If any of our activities are found to infringe the intellectual property rights of third parties, the continuation of such activities may be significantly restricted or prohibited, or we could be required to pay substantial damages or licensing fees. Further, if the Group is unable to protect its intellectual property rights against infringement or misappropriation, competitors may be able to use the Group’s intellectual property. Litigation may be necessary to enforce the Group’s rights or defend against claims of infringement. The Group’s competitors may also be able to develop technology independently that is similar to the Group’s without infringing on the Group’s intellectual property. Thus, intellectual property infringement of or by us could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our insurance policies do not fully cover every potential loss to which we are exposed.

Although we have comprehensive insurance in place for our vessels, our insurance policies do not and may not fully cover every potential loss to which we are exposed. For example, if any of our vessels are damaged, our insurance may not cover the losses that may be incurred as a result of any interruption in the vessel’s operations. There may also be delays in receiving reimbursements for claims from our insurers and any claims made are likely to cause our premiums to increase. Moreover, the cost of maintaining this level of insurance may increase in the future and become uneconomical to maintain. The occurrence of a loss that is not fully covered by insurance may have a material adverse effect on our results of operations, financial condition and prospects.

Additionally, providing services involves the risk of contractual and professional errors, omissions, warranty claims and other liability claims, and the resulting negative publicity which may adversely affect our business, results of operations, financial condition and prospects. We may not be able to maintain or obtain adequate insurance coverage at rates we consider reasonable or we may decide not to insure such risks. Even in the event coverage is obtained, claims may exceed such insurance coverage.

We are exposed to interest and exchange rate fluctuations.

Our revenue and costs are largely denominated in U.S. dollars. However, we receive some revenue and, to a greater extent, pay some operating and administrative costs in other currencies in the regions in which we operate, including the Caspian, MENA and Subsea, and West Africa regions, and our exposure to non-U.S. dollar currencies may increase in the future.

From time to time, we also make significant payments, such as vessel purchases or vessel charter payments, in other currencies, such as Norwegian kroner (“NOK”), Singapore dollars, Euro and Nigerian Kwanza. We normally purchase forward contracts to hedge our exchange rate exposure on such purchases, but these arrangements may not provide coverage against every adverse exchange rate fluctuation that may affect such purchases.

A majority of our financing arrangements are provided on the basis of a floating interest rate linked to LIBOR or another interbank rate. We often enter into hedging arrangements in relation to potential increases in applicable interest rates but these arrangements may not provide coverage in the event of an increase in the interest rates applicable to us. Any failure by a counterparty to perform its obligations under any such hedging arrangements or any adverse movement in exchange rates or interest rates to which we are exposed may have an adverse effect on our results of operations.

We may be adversely affected by changes in fiscal regimes.

Our profitability is impacted by the levels of direct and indirect taxation levied on our profits and services. We are subject to taxation in Azerbaijan, Kazakhstan, Turkmenistan, Russia, Qatar, the Kingdom of Saudi Arabia, Nigeria, Angola and other jurisdictions and may in the future be subject to further taxation as a result of our geographic growth.

Any increases in the taxes levied on us may adversely affect our results of operations, financial condition and prospects, and could be applied retroactively. In addition, any change in the tax guidelines, interpretations, rules or legislation relevant to us may lead us to adjust aspects of our operations and any change in taxation affecting our clients may affect the demand for our services and products, either of which may also have a material adverse effect on our business, results of operations, financial condition and prospects.

The complexity of transfer pricing regulations across countries may result in additional tax liabilities that may adversely affect the tax position of the Group.

Certain territories in which we operate have transfer pricing regulations that require transactions involving associated enterprises to be at an arm's-length price. We have financial controls in place to ensure that transactions between Group companies are on arm's-length terms. However, it is possible that a tax authority's assessment of an arm's-length price differs from that applied by us. If, as a result, the tax authority sought to adjust our tax returns of the relevant Group companies involved, those Group companies could face penalties and tax charges, in respect of current and previous years, which could have a material adverse effect on our tax position.

The interests of our shareholders may conflict with your interests.

Topaz Marine S.A. is a wholly owned subsidiary of the Company, and the Company is majority-owned by the Principal Shareholder. In addition, SCPE and STL collectively hold 13.5% of our share capital, and the shareholder agreement in place among our Principal Shareholder, SCPE and STL provides SCPE the right, among other things, to appoint a member of the Board, to approve, or withhold the approval of, certain extraordinary corporate actions and to sell shares. This agreement also allows SCPE to transfer its shares and its rights under the shareholders agreement under certain circumstances. See "*Principal Shareholders—Standard Chartered Private Equity Limited Subscription and Shareholders Agreement.*" The interests of our shareholders may not be entirely consistent with your interests, and our shareholders may take actions in relation to our business that are not entirely in your interests. For example, our shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, which may increase our debt service obligations, and the sale of certain assets could reduce our ability to generate revenue. Further, if we encounter financial difficulties or are unable to pay our debts as they mature, our shareholders may choose to take actions that conflict with your interests. In addition, our shareholders may determine that there is value in pursuing acquisitions, divestitures, financings or other transactions which, in their judgment, could enhance their equity investments, even though such transactions might involve risks to you.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization, as of March 31, 2017. You should read this table together with the “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Description of Certain Financing Arrangements*” and our audited consolidated financial statements and the related notes thereto included elsewhere in this Corporate Presentation. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2017. All of the debt amounts shown in the following table represent aggregate principal amounts.

Sources	As March 31, 2017 Actual
	(\$ in thousands)
Cash and cash equivalents⁽¹⁾	57,207
CTA Facility Tranche A ⁽¹⁾	297,499
CTA Facility Tranche B ⁽²⁾	—
Vessel Term Loan Facility ⁽³⁾	—
Existing Notes ⁽⁴⁾	350,000
Shareholder Loans ⁽⁵⁾	78,626
Capitalized debt issuance costs	(9,047) ⁽⁶⁾
Total gross debt⁽⁷⁾	717,078
Total shareholders’ equity	297,909
Noncontrolling interest	161,590
Total equity	459,499
Total capitalization	1,176,577

- (1) Subsequent to March 31, 2017, \$10.5 million of cash on our balance sheet was used to repay principal (\$7.5 million) and interest outstanding under Tranche A of our CTA Facility, and commitment and agency fees under Tranche B of our CTA Facility, and a further \$15.1 million of cash on our balance sheet was used to pay interest in respect of the Existing Notes.
- (2) Tranche B of our CTA Facility is a \$100.0 million revolving credit facility. We expect Tranche B to be undrawn on July 12, 2013 and to be available for drawing subject to headroom under the covenants of the CTA Facility, provision of additional security and certain other customary conditions precedent. See “*Description of Certain Financing Arrangements*.”
- (3) Under the terms of the Vessel Term Loan Facility, \$84 million is expected to be drawn to finance the purchase of two new subsea vessels for an aggregate remaining purchase price (net of \$20 million in installments already paid) of approximately \$84 million (based on the exchange rate as of July 11, 2017). The Vessel Term Loan Facility permits the utilization of the committed funds in respect of each of these vessels on the delivery date of each vessel provided that, in the case of an agreed delayed delivery with Vard, we shall notify the lenders of the agreed new delivery dates and agree a long stop date for the availability of the facility. Any agreement with Vard concerning delayed delivery of the vessels and consequently amendment of the availability period under the Vessel Term Loan Facility agreement is expected to be agreed at the latest on September 30, 2017. The Vessel Term Loan Facility is expected to remain undrawn on July 12, 2017, although we originally agreed to take delivery of the vessels financed by the Vessel Term Loan Facility on July 10, 2017 and November 30, 2017, respectively, and this would have required us to draw the Vessel Term Loan Facility on or about these dates. We have reached a verbal agreement with Vard to delay the delivery of these vessels until at least 2018; however, the agreements reflecting the extended delivery dates have not yet been finalized. See “*Risk Factors—Risks Related to Our Business and Industry—We may be unable to execute our growth strategy effectively*” and “*Description of Certain Financing Arrangements—Vessel Term Loan Facility*.”
- (4) This amount reflects the total principal amount of Existing Notes at March 31, 2017.
- (5) As of March 31, 2017, we had \$78.6 million in aggregate principal amount outstanding under the Shareholder Loans. The Shareholder Loans are subordinated in right of payment to the Existing Notes in the event of default or insolvency. Repayment of principal amounts under each of the Shareholder Loans is subject to the consent of the lenders under the CTA Facility and the Vessel Term Loan Facility. Shareholder Loan A is in the amount of \$30.0 million (of which \$24.0 million was outstanding as of March 31, 2017). Shareholder Loan A may be repaid in installments of \$2.0 million on November 30 in each of 2017 and 2018 with a bullet payment of \$20.0 million on November 30, 2019. Shareholder Loan B is in the aggregate amount of \$104.0 million (of which \$41.6 million was outstanding as of March 31, 2017). Shareholder Loan B is due on December 31, 2023 and (i) the first tranche may be repaid in quarterly installments of \$0.4 million in 2018 and quarterly installments of \$0.7 million thereafter; and (ii) the second tranche may be repaid in annual installments of \$3.2 million in 2017 and 2018 with five annual installments of \$3.9 million thereafter. Shareholder Loan C is in the amount of \$13.0 million (of which \$13.0 million was outstanding as of March 31, 2017) and matures on March 30, 2023. Shareholder Loan C may be repaid in installments of \$1.3 million on November 30 in each of 2019 and 2020, \$2.6 million in each of 2021 and 2022, and \$5.2 million in 2023. The Shareholder Loans are back-to-back shareholder loans from the Principal Shareholder to the Parent which themselves are back-to-back loans from various commercial banks to the Principal Shareholder. See “*Description of Certain Financing Arrangements—Shareholder Loans*.”
- (6) This amount includes unamortized debt issuance costs as of March 31, 2017 of \$4.6 million and \$4.5 million, respectively, on the CTA Facility and the Existing Notes. Excluding the impact of unamortized debt issuance costs, our total gross debt as of March 31, 2017 was \$726.1 million.
- (7) Total gross debt is total liabilities less accounts payable and accruals, due to related parties, income tax payable and employee’s end of service benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Factors Affecting Our Results of Operations

We believe that the following factors have had, and will continue to have, a material effect on our business, financial condition and results of operations. As many of these factors are beyond our control and certain of these factors have historically been volatile, past performance will not necessarily be indicative of future performance, and it is difficult to predict future performance with any degree of certainty. In addition, important factors that could cause our actual operations or financial conditions to differ materially from those expressed or implied below include, but are not limited to, factors indicated in this Corporate Presentation under “*Risk Factors*.”

Trends in the oil and gas industry

The financial performance of our business is underpinned by the level of expenditure on exploration, development and production by the international and national oil and gas companies that constitute the majority of our client base. Our clients have been significantly affected by the downturn in oil prices beginning in 2014, which in turn has affected our business. For the three years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017, we generated total revenue of \$404.6 million, \$362.5 million, \$282.1 million, \$77.7 million and \$58.2 million, respectively. While our business and results of operations are impacted by volatility in oil and gas prices, particularly in the last three years, the impact of oil price fluctuations on our results has been partially mitigated, due to continued expenditure in the industry supporting our operations in the Caspian Sea and our focus on longer-term contracting in the Caspian region for development and production phase projects.

Oil and gas prices

Oil and gas production, exploration and development activity is correlated with oil and gas price levels. Sustained high oil and gas prices typically lead to increased activity and production across our clients over time, generating higher demand for our vessels. The opposite is typically true of sustained periods of low oil prices, which negatively affect our time charter day rates and our fleet utilization rates as a result of an oversupply of vessels in the market. For the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017, our average core asset utilization rates were of 86.7%, 83.8%, 73.1%, 80.6% and 62.1%, respectively. In the Azerbaijani section of the Caspian region, our core utilization rates were less impacted, with rates of 90.5%, 95.8, 97.0%, 94.8% and 92.0% for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017, respectively.

Historically, oil and gas prices have been highly correlated with global economic activity, and as a result are, and will likely continue to be, subject to substantial and unpredictable volatility. The global rise in production of natural gas and oil, including onshore shale, has contributed to oil and gas price decline and volatility in recent years and may continue to impact prices adversely. The prices of oil and gas fell significantly during the second half of 2014 and during 2015, resulting in a curtailment in offshore activity, which has impacted the offshore industry significantly. Despite a gradual increase in oil prices in 2016, the OSV market has yet to recover and is still affected by low capital expenditure by oil companies, which is at a ten-year low. Historically, there has been a time lag between a change to oil prices and the change in demand for OSV vessels. According to Thomson Reuters, 2016 oil prices ranged from a low of \$27.88 per barrel to a high of \$56.82 per barrel. As of the year ended December 31, 2016, the price of Brent benchmark crude was \$56.82, up 52% from \$37.28 on December 31, 2015, but still significantly below historical prices. As of January 2017, the World Bank Commodity Forecast estimates a twelve-month forecast for oil prices at \$55 per barrel, although as of June 30, 2017, oil prices were \$49 per barrel. Although estimates vary, oil prices are expected to remain stable or gradually increase from the second quarter of 2017 with a potential increase in oil prices by 2020 to approximately \$62 per barrel (Source: Westwood Global Energy Group Report). This is in line with the anticipated growth in the global population and individual wealth across non-OECD states, which is expected to result in an increase in oil and natural gas consumption by 8% and 19%, respectively, over the next decade (Source: Westwood Global Energy Group).

We believe that a future sustained recovery in the worldwide demand for oil and gas would lead to long-term capital expenditure growth in the OSV market and a subsequent increase in day rates. Additionally, our clients' decisions to reduce capital expenditure can be subject to a time lag, as a result of the long-term nature and complexity of oil field production and development, and the phases of the oil field life cycle we primarily target, which can reduce the impact of oil and gas price fluctuations on our results.

Expenditure profile in the industry

We primarily provide offshore services to the oil and gas industry. As a result, trends in that industry have a direct impact on our results of operations. In particular, demand for our services and products is affected by the level of

both capital and operating expenditure on oil and gas exploration, development and production, which is significantly influenced by the consumption of oil and gas, current and anticipated oil and gas prices, and other macroeconomic trends in the industry including the costs of exploration, development and production, the availability of financing and governmental policies. Additionally, the level of offshore drilling activity is adversely affected when operators reduce or defer new investment in offshore projects, reduce or suspend their drilling budgets or reallocate their drilling budgets away from offshore drilling in favor of other priorities, such as shale or other land-based projects. The rise in the production of natural gas and oil, including from onshore shale, as a result of improved drilling efficiencies that are lowering the costs of extraction, has resulted in a reduction of capital invested in offshore oil and gas exploration.

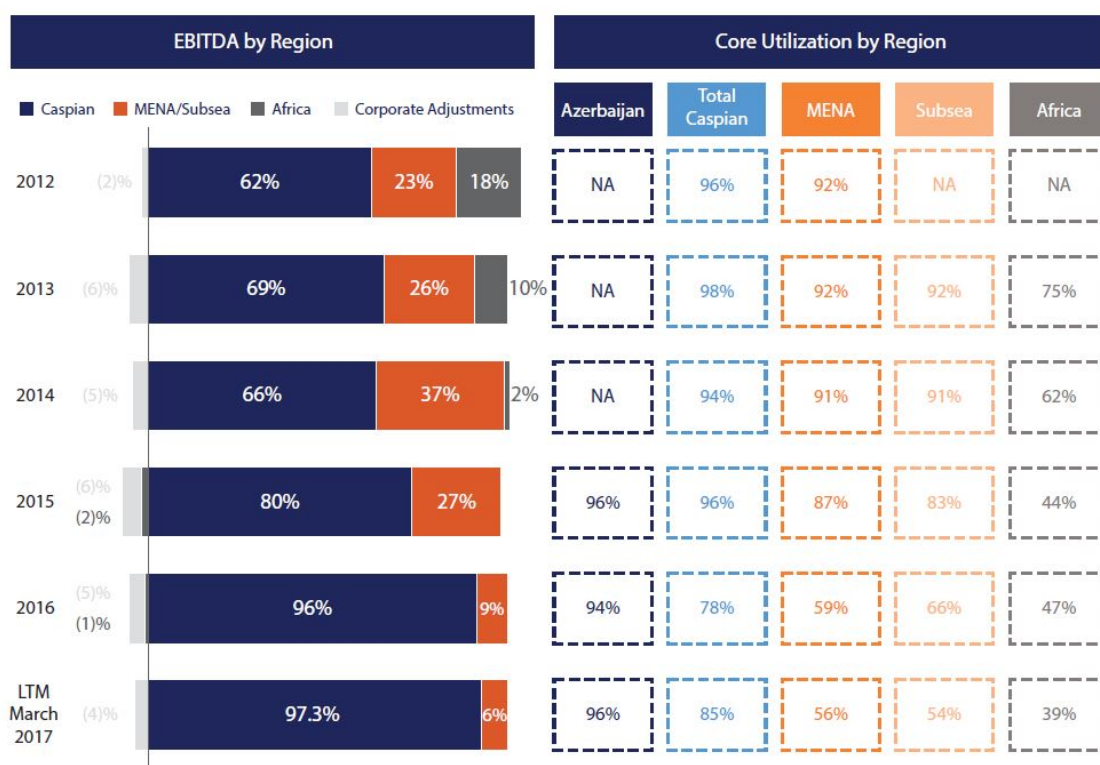
Our business is focused on projects in the development (42% of our revenue under contract for the year ended December 31, 2016) and production (58% of our revenue under contract for the year ended December 31, 2016) phases, which has partially mitigated the impact of reduced oil and gas prices on our business. The development stage in the oil and gas industry is generally characterized by long-term sales agreements that provide relative stability and, along with the significant economic and political commitment made to reach that phase, the ongoing need to support the production phase means that production operations are generally less impacted by oil price volatility than other phases. As a result, we have been able to navigate challenging market conditions while still generating backlog and maintaining EBITDA Margins higher than the industry average.

According to the Westwood Global Energy Group Report, total global offshore capital and operating expenditure on oil and gas exploration, development and production, including both capital expenditure and operating expenditure, decreased 35% from \$286 billion in the year ended December 31, 2014 to \$186 billion in the year ended December 31, 2016. However, growth in offshore E&P spending is expected in 2017, with our business well placed to benefit due to an attractive regional profile and fleet of 120 vessels (including 23 vessels currently under construction) composition.

Regional distribution of investment

Demand for our services and products is affected by the geographic distribution of oil and gas exploration, development and production expenditures. Volatility in oil and gas prices has impacted our operations differently based on region, with a greater impact on the MENA and Subsea and Africa regions compared to the Caspian region. The deterioration in MENA and Africa has resulted in our operations in the Caspian region now generating a significantly larger part of our EBITDA (96% of EBITDA in 2016).

The following chart shows the change in our geographic distribution of EBITDA and core utilization for the periods indicated:



The Caspian region, in particular, has been partially insulated from global oversupply, resulting in lower day rate and core utilization deterioration in recent years. We believe the resiliency in the Caspian region is the result of the significant logistical challenges and cost of mobilizing vessels into the Caspian Sea, the presence of large oil and gas projects in the region, the presence of blue-chip exploration and production customers and contracts in the Caspian region often having longer terms (from one month to five years compared to other regions that range from one month to one year). According to Wood Mackenzie, operating costs were \$12.2/boe and \$5.3/boe in the Kashagan and Cheleken areas, respectively. We expect that we will continue to generate the vast majority of our revenue from the Caspian region.

Over the next five years, the Caspian is expected to enter a second major upturn led by the continued development of the Shah Deniz field as well as the Kashagan field, an offshore field in Kazakhstan which has been the world's largest oilfield development for the past 35 years (Source: Westwood Global Energy Group Report). Additionally, over the next decade offshore production in MENA is expected to grow by 23% from 15.4 million barrels oil equivalent per day ("mboepd") in 2016 to 18.9 mboepd by 2025. We plan to take a disciplined approach to any opportunities to expand our operations, in particular in MENA and the Mediterranean.

Investment in offshore projects

Demand for our services and products may also be affected by the distribution of oil and gas exploration, development and production expenditures between offshore and onshore projects. Over the three-year period ended December 31, 2016, we generated all of our revenue from offshore oil and gas projects, which have benefited from a high level of capital expenditure over the past five years. Over the past five years, global operators spent an estimated \$14.9 billion on the development of offshore oil and gas projects in the Caspian, including major developments such as Shah Deniz and ACG in Azerbaijan and Kashagan in Kazakhstan. Kashagan began production in 2013, but is expected to see further development over the next decade. These mega-projects have a significant impact on regional demand for offshore support vessels and barges in the region.

Despite this growth, the global economy has been unable to absorb recent supply additions to the oil and gas industry, as production from low extraction-cost onshore shale and other land-based projects has increased. Between 2014 and 2015, global liquids output increased by 3.1 mboepd, 70% greater than consumption, and resulting in over-capacity and an oil price crash. U.S. shale has been well documented as the principal reason for this supply surge and accounted for 43% of incremental output, with OPEC and major offshore projects accounting for 21% and 35%, respectively (Source: Westwood Global Energy Group Report).

Our operations are primarily in shallow-water fields, particularly in the Azerbaijan region of the Caspian. Although they often have shorter contract periods, operations in shallow-water fields historically have lower costs of production compared to deepwater fields, which have higher extraction costs for operators.

Competition and Supply of Vessels

The total supply of OSVs in a given market is one of the critical factors in the pricing for OSV services in that market, which will in turn impact our revenue going forward. The supply of OSVs in a market is affected by factors that include (i) the size and age profile of the existing fleet combined with client requirements related to the age of OSVs deployed, (ii) the rate of delivery of new vessels, (iii) the rate of decommissioning of existing vessels, (iv) the number of vessels undergoing repair or upgrade work and (v) the number of idle vessels that are on standby and available immediately for deployment or after a period of recommissioning or refurbishment.

Global requirements for OSVs have fallen 16% since 2014 with the majority of reduction in the smaller OSVs segment (Source: Westwood Global Energy Group Report). The OSV market has experienced significant price competition partially as a result of the oversupply of vessels in the market. While continued vessel stacking, and limited scrapping, helps to offset the negative effects of underutilized vessels, oversupply of OSV tonnage remains an issue. The global OSV fleet numbers about 3,500 vessels and, as of December 2016, about 1,300 of these vessels were laid-up and without work, mainly as a result of the sharp drop in capital expenditure on oil and gas exploration and construction projects, coupled with an industry adjusting to a reduced oil price range. We have a fleet of 120 vessels (including 23 vessels currently under construction, of which 20 vessels will be owned by us and three vessels will be managed by us). We aim to have full utilization of our fleet of 120 vessels (including 23 vessels currently under construction); however, this is typically not possible given that a number of vessels will be periodically out of work, in transit, in dry-dock or otherwise under maintenance or repair. The increased competition for short-term contracts has lowered both our revenue and profits, especially in our MENA and Subsea and African operations. We believe our position in the Caspian market, however, which is a region with significant challenges for new entrants to penetrate, has partially insulated us from global oversupply. While we have outperformed many of our competitors in the OSV industry, competition has nevertheless had a direct negative impact on revenue and profit in the three years ended December 31, 2016.

Our revenue is primarily generated in the Caspian region (73% of revenue in 2016 compared to 55.2% of revenue in 2014) with the remaining amounts generated in the MENA region and our subsea operations (22% of revenue in 2016 compared to 35.6% of revenue in 2014) and Africa (5% of revenue in 2016 compared to 9.5% of revenue in 2014). The demand for offshore support vessels in the Caspian region is expected to grow at a CAGR of 8% over the next three years, peaking in 2019 and potentially remaining at historical highs for several years thereafter (Source: Westwood Global Energy Group Report). We expect that demand will exceed supply in the Caspian region and customers will need to use older vessels with less suitable tonnage to meet their demand (Source: Westwood Global Energy Group Report). Comparatively, the MENA region has seen an increase in supply from neighboring regions which resulted in reduced utilization in 2016 (Source: Westwood Global Energy Group Report). The MENA region is expected to see improving conditions favoring smaller OSVs, with larger assets continuing to face oversupply (Source: Westwood Global Energy Group Report). Comparably, large OSV utilization in Africa is not expected to return to pre-2014 levels (Source: Westwood Global Energy Group Report). Based on our leading positions in the Caspian region and our strong position in MENA, we believe we will be well positioned to take advantage of the future increased demand in these regions.

The global requirement for OSVs was estimated at 810,000 vessel days in 2016, having fallen 16% since 2014. 69% of this activity was associated with smaller OSVs, with larger AHTSVs and PSVs accounting for 15% and 16% of activity, respectively. Over the next five years demand for global OSVs is expected to grow at a CAGR of 2.7% (Source: Westwood Global Energy Group Report). Markets characterized by benign, shallow-water conditions are dominated by smaller OSVs. In the year ended December 31, 2016, the average age of the OSVs in the industry was approximately 14 years (Source: Westwood Global Energy Group Report) compared to our fleet of 120 vessels (including 23 vessels currently under construction), which has an Anticipated Fleet Average Age of 7.4 years.

More frequently, clients require vessels that will be younger than 15 years by the end of the contract. This makes a portion of the global OSV supply effectively inoperable to the discerning international and national oil companies and increases the attractiveness of our younger fleet of 120 vessels (including 23 vessels currently under construction) to our clients.

Average Utilization and Day Rates

Our revenue is significantly affected by the average utilization rates of vessels within our fleet of 120 vessels (including 23 vessels currently under construction) and the average day rates earned by those vessels. The “average utilization rate” of a vessel in a given period is calculated retrospectively by reference to the number of days in that

period the vessel was deployed as a percentage of days in the period on which the vessel was available for deployment, being 365 days less days required for dry-docking, repair and maintenance and, in Russia and Kazakhstan, days on which the relevant vessel was unable to operate due to adverse weather conditions. The “average day rate” for a vessel in a given period is calculated as the total revenue generated by that vessel in that period divided by the number of days on which that vessel was deployed during that period (whether under one or more contracts and/or for one or more clients).

We had average utilization rates for our core assets (AHTSVs, PSVs, MPSVs and ERRVs) of 62.1% in the three months ended March 31, 2017 and 73.1%, 83.8% and 86.7% in the years ended December 31, 2016, 2015 and 2014, respectively, and an average day rate for our core assets of \$15,776 in the three months ended March 31, 2017 and \$17,042 in the year ended December 31, 2016, as compared to \$18,472 in the year ended December 31, 2015 and \$19,387 in the year ended December 31, 2014. For our other non-core assets, we had an average day rate of \$3,861 in the three months ended March 31, 2017 and \$3,601 in the year ended December 31, 2016, as compared to \$4,091 in the year ended December 31, 2015 and \$4,136 in the year ended December 31, 2014. For further information on our historical average utilization rates and day rates, see “*Business—Contracts.*”

The costs of remobilizing laid-up vessels are high, resulting in OSV suppliers keeping vessels laid-up or scrapping them. The laying up of 30% of the global OSV fleet since 2014 has resulted in an improvement in effective utilization (Source: Westwood Global Energy Group Report). However, despite anticipated demand growth, total utilization is expected to remain suppressed, limiting pricing growth over the next few years (Source: Westwood Global Energy Group Report). Although the market for smaller OSVs is currently oversupplied, the potential scrapping of laid-up and older vessels could result in a rapid surge in utilization (Source: Westwood Global Energy Group Report). Since 2007, we have pursued a strategy of retiring older, lower specification vessels and replacing them with newer, higher specification vessels, which management believes has helped to limit declines in our average utilization rates and to our average day rates, while also making our vessels more attractive to potential clients. As of March 31, 2017, the vessels in our fleet of 120 vessels (including 23 vessels currently under construction) had an Anticipated Fleet Average Age of approximately 7.4 years.

Contract Size and Length

Any increase in the number or size of large contracts that the Group enters into may have a significant impact on our utilization and day rates and decrease the volatility of the Group’s revenue and profitability over time. Therefore, our ability to secure repeat business with our existing clients and win new clients impacts our results. In 2016, we were awarded a contract with BP in Azerbaijan. In the years ended December 31, 2015 and 2016, our contracts with BP/AIOC in Azerbaijan contributed revenues of \$131 million (36.1% of the Group’s total revenue) and \$118 million (approximately 42% of the Group’s total revenue), respectively. In 2016, we were awarded contracts with a new client in Kazakhstan to transport modular units that will be installed at the Tengiz oil field. The construction costs of the 17 MCVs we will own and operate are funded through payments made by TCO during the construction phase of each vessel, which will be subsequently repaid through the offset of a portion of the revenue from the charter day rate during the service period, starting from the second quarter of 2018. Our contract with TCO is estimated to be worth \$550 million in revenue over three years and is estimated to have a significant positive impact on our revenue and EBITDA from the second quarter of 2018 and a more limited positive impact on our cash flow. See “*Risk Factors—Risks Related to Our Business and Industry—Our existing contracts and backlog are subject to change*” and “*Business—Contracts—TCO Contract.*”

Our contract lengths vary depending on the nature of the markets in which we operate. Historically, we had a relatively high proportion of medium- and long-term contracts, which has since shifted towards short- and medium-term contracts to reflect challenging market conditions in the oil and gas industry. Our contracts in the Caspian Sea tend to range from one month to five years due to the high mobilization and demobilization costs associated with operating in the unique geography of the Caspian Sea. The fragmented nature of the market in MENA and Subsea has resulted in our contracts in this segment being generally of a shorter tenor than in the Caspian Sea. Finally, our contracts in our Africa and subsea operations tend to be a mix of short-term (one month to a year) and medium-term contracts, which allow us to take advantage of short-term fluctuations in day rates across different geographic regions in growth markets. Most of our contracts have extension options, which vary depending on the terms of the specific contract with certain of our medium- and long-term contracts having two or three extension options of up to a year.

While client contracts are typically subject to termination or variation in certain circumstances, we believe that long-term contracts provide greater certainty as to our future revenue and reduces sensitivity to oil prices and supply and demand dynamics, which in turn allows for more efficient resource management and more accurate budgeting, and we plan to continue to target a relatively high proportion of long-term contracts as conditions in the oil and gas market improve and our customers become more willing to enter into such agreements. Our short- and medium-term contracts provide us with the flexibility to capitalize on anticipated market conditions with opportunistic work at potentially higher day rates. We have a strong record of contract renewal in the Caspian Sea as demonstrated by the fact that none of our core assets have been removed from the Caspian Sea in the past 15 years.

Backlog

We consider backlog to be a key performance indicator of our business because it gives an indication of our future revenue. As of March 31, 2017, we had a strong revenue backlog of \$1,472 million. This consists of backlog under fixed-term contracts of \$1,152 million and backlog in respect of client extension options of \$319 million. Of our fixed-term contract backlog as of March 31, 2017, \$150 million is contracted for 2017, \$284 million is contracted for 2018, \$331 million is contracted for 2019 and \$311 million is contracted for 2020. Of our client extension option backlog as of March 31, 2017, \$8 million, \$20 million, \$23 million and \$17 million relate to client extension options that, if exercised, will be serviced in 2017, 2018, 2019 and 2020, respectively. The amount of the backlog does not provide a firm guarantee of our future revenue or earnings. Although backlog reflects business that is considered by us to be firm, cancellations, the non-exercise of extension options or scope adjustments in our contracts may occur. In the period under review, we have experienced limited instances of cancellations, non-extensions or scope adjustments.

The tables below set forth our historical and our backlog for the remainder of 2017 and as of and for the years ended December 31, 2018, 2019, 2020, 2021 and 2022 and thereafter, forecasted as of March 31, 2017:

	As of December 31,					As of March 31, 2017
	2012	2013	2014	2015	2016	
	(\$ in millions)					
Historical backlog:						
Fixed-term contract	—	614	468	298	1,184	1,152
Client extension options	—	554	517	406	296	319
Total backlog	941	1,168	985	704	1,480	1,472
	2017	2018	2019	2020	2021	2022 and thereafter
	(\$ in millions)					
Backlog forecast:						
Fixed-term contracts	150	284	331	311	72	3
Client extension options	8	20	23	17	107	145
Total backlog	159	304	354	328	179	148

The amount of the backlog is not necessarily indicative of our future revenue or earnings. Although backlog reflects business that is considered by us to be firm, cancellations, non-exercise of options or scope adjustments have occurred and may occur again.

Our backlog from 2013 to 2014 decreased primarily as a result of certain of our contracts reaching the end of their fixed terms without being extended by our clients and an early termination for convenience on one of our vessels for which we received an early termination fee. See *“Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results.”*

Our backlog from 2014 to 2015 decreased primarily as a result of certain of our contracts reaching the end of their fixed terms without being extended by our clients as well as the renegotiation of two contracts in Kazakhstan, which resulted in the early termination of these contracts in exchange for the waiver by the client of a purchase option related to the vessels covered by the contracts. We believe the commercial and financial benefits of the waiver by the client of the purchase options related to our vessels outweighed the lost revenue from the terminated charters.

For further information on our backlog, see *“Presentation of Financial and Other Information—Operational Data—Backlog”* and *“Business—Our Fleet—Backlog.”* For further information on termination and variation rights in our client contracts, see *“Risk Factors—Risks Related to Our Business and Industry—Our client contracts are subject to change.”*

Fleet Size and Mix

Our revenue and cost of revenue are significantly affected by the number of vessels that we own or operate. Over the three-year period ended December 31, 2016, the size of our existing fleet remained relatively stable, with 95 vessels as of the year ended December 31, 2014, 96 vessels as of the year ended December 31, 2015 and 97 vessels as of the year ended December 31, 2016. In the year ended December 31, 2016 and the three months ended March 31, 2017, we did not dispose of any vessels. Our core existing fleet comprises 29 AHTSVs, 17 PSVs, ten MPSVs and four ERRVs. The remainder of our existing fleet is made up of eight crew boats, 23 barges and six other vessels. We have 23 new builds underway, including 20 module carrying vessels (*“MCVs”*), a brand new and first-of-its-kind vessel, being built as part of the TCO Future Growth Project; two MPSVs and one AHTSV. The first MCV was delivered in July 2017. The AHTSV and the Subsea vessels are expected to be delivered during 2018.

Our results are also affected by the mix of vessels in our fleet. Our core fleet has higher utilization, higher margins, higher EBITDA Margins and higher value than our non-core fleet. We recently reclassified our core assets to exclude our barges, which are less valuable vessels. Additionally, certain types of contracts and vessels within our operations tend to generate higher gross margins than other types. For example, some of our larger, more versatile vessels generate higher gross margins than smaller vessels such as crew boats and barges due to their ability to provide more valuable services to our clients.

Management plans to continue to add to the existing fleet organically and through opportune purchases. This plan also includes strategic divestments of aging and nonstrategic vessels in order to realign our fleet of 120 vessels (including 23 vessels currently under construction) to focus on medium-sized AHTSVs and Subsea vessels that are younger in age in order to meet industry demand and client specifications.

For further information on the growth of our fleet of 120 vessels (including 23 vessels currently under construction), see *“Business—Our Fleet.”* For information on possible delays by shipyards, see *“Risk Factors—Risks Related to Our Business and Industry—We may experience delays in providing services to our clients.”*

Caspian Sea Deployment

We currently deploy 63 vessels, accounting for approximately 53% of our fleet of 120 vessels (including 23 vessels currently under construction), in the Caspian Sea. In the three years ended December 31, 2014, 2015 and 2016, our operations in the Caspian Sea generated 55.2%, 62.9% and 73.0% of our revenue, respectively. As a result of our established presence in the Caspian Sea, we have developed an understanding of the logistical challenges inherent in operating in the Caspian Sea, such as mobilizing vessels and equipment, as well as a deep understanding of client and regulatory requirements such as the localization of crews and staff. Geographical and logistical constraints relating to operating in the Caspian Sea can result in high mobilization and demobilization costs for vessel operators. The high mobilization and demobilization costs in the Caspian region are typically paid for by the client once a contract is signed. Therefore it is expensive for new entrants to enter the Caspian region market without having secured contracts. The size of our existing fleet in the Caspian Sea allows us to achieve economies of scale by leveraging our cost base across our existing fleet in the Caspian region. This has allowed us to keep our costs of operating in the Caspian Sea competitive.

These advantages, as well as our niche positioning in the Caspian Sea as a result of high costs to entry into that market, allow our operations in the Caspian Sea to generate higher gross margins than other operating units.

Unanticipated Cost Fluctuations

Most of our client contracts are negotiated on the basis of a fixed daily rate, which means that we receive a set fee per day regardless of the actual costs of operating a vessel over the term of the contract. Our clients are usually responsible for providing the fuel for the operation of a vessel. We typically price our contracts taking into account inflation and potential cost escalation. In addition, certain of our contracts contain inflation adjustment provisions.

Our profitability is therefore affected by the amount by which our actual contract costs exceed our budgeted costs. Our actual contract costs may vary as a result of changes in crew salaries (which accounted for 31% of our total costs in the year ended December 31, 2016), repair and maintenance costs (which accounted for 19% of our total costs in the year ended December 31, 2016) or other factors. Both crew costs and maintenance and repair costs tend to be predictable. Unanticipated cost fluctuations, such as those incurred in connection with our entry into new geographic regions and major equipment breakdowns, may result in actual gross margins on contracts being significantly above or below what were originally anticipated and may have a material impact on profitability.

For further information on factors that may lead to unanticipated cost increases, see “*Risk Factors—Risks Related to Our Business and Industry—We may experience increases in the costs of fulfilling our contractual obligations.*”

Cost Reductions and Efficiency Initiatives

We began implementing cost reductions and efficiency initiatives in 2015, which we estimate decreased our operating and overhead costs by approximately \$35.0 million in the year ended December 31, 2016. We have focused these cost reduction initiatives on optimizing our overhead costs and aligning crew costs with market pricing, renegotiating maintenance costs and framework agreements with core suppliers, and laying up underutilized vessels. We have targeted areas such as insurance, vessel idle costs, fuel and other costs as part of the strategic efficiency program. We have implemented a digitization program that consolidated our vessel programs under a single platform, further reducing costs. In the future, we aim to continue to optimize our cost structure without compromising our quality or safety.

Additional Factors

In 2016, we formed Topaz Solutions as a new division for our business operations in connection with the TCO Future Growth Project. Therefore, our results of operations for the years ended December 31, 2014, 2015 and 2016 do not include Topaz Solutions. However, from the second quarter of 2018, we expect Topaz Solutions to generate revenue.

In addition, our financial results for the years ended December 31, 2015 and 2016 have been affected by vessel impairment, resulting from market conditions. We have taken a provision for the impairment of vessels in the year ended December 31, 2015 of \$71.0 million and in 2016 of \$99.6 million.

Description of Key Line Items

Revenue

Revenue from Topaz Marine comprises revenue from Topaz Marine Caspian, Topaz Marine MENA and Subsea and Topaz Marine Africa, all of which primarily derive the majority of their revenue from the charter of vessels. For information on our revenue recognition policies, see “—*Critical Accounting Policies—Revenue Recognition.*”

Other income

Other income primarily includes profits on the disposal of property, plant or equipment; releases of provisions and unclaimed balances; the settlement of derivative instruments; and miscellaneous income from the sale of scrap materials.

Cost of revenue

Cost of revenue incurred by Topaz Marine primarily include the costs of crews (30.6% and 28.5% of our Cost of revenue in the year ended December 31, 2016 and three months ended March 31, 2017, respectively); technical maintenance (7.2% and 5.5% of our Cost of revenue in the year ended December 31, 2016 and three months ended

March 31, 2017, respectively); depreciation and dry-dock costs (41.1% and 44.9% of our Cost of revenue in the year ended December 31, 2016 and three months ended March 31, 2017, respectively); and others including utilities, vessel maintenance, dry-docking vessels for inspection and certification purposes, quality and HSE compliance, communications, radio communication subscriptions, dynamic positioning fees, port dues and anchorage charges, vessel registration and classification, vessel survey costs, commissions paid to brokers for securing contracts, insurance and depreciation costs for vessels.

Administrative expenses

Administrative expenses primarily include employees' salaries and benefits, consultancy and professional fees, rent and utilities, legal fees and expenses, depreciation of property, plant and equipment, travel expenses, communication expenses, vehicle expenses, amortization of intangible assets, and impairment loss on accounts receivable, among others.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 "Impairment of Assets." This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels at December 31, 2016 was approximately \$1,062.6 million (2015: approximately \$1,179.8 million).

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 management covering a period of five years based on the expected utilization rates of the individual vessels. Cash flows beyond five years are estimated using a nil growth rate.

Finance costs

Finance costs primarily include interest expense on loans.

Income tax expense

Income tax expense primarily includes income taxes for the period as well as any deferred tax income or expense.

Results of Operations

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Our results of operations for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 were as follows:

	Three months ended March 31,	
	2016	2017
	(\$ in thousands)	
Revenue	77,707	58,211
Cost of revenue	(47,472)	(37,337)
Gross profit	30,235	20,874
Administrative expenses	(8,689)	(6,672)
Profit from operations	21,546	14,202
Finance costs.....	(14,916)	(13,905)
Finance income.....	348	40
Profit before income tax for the quarter	6,978	337
Income tax expense	(5,015)	(3,715)
Profit/(loss) for the quarter	1,963	(3,378)
Other comprehensive income for the year	—	—
Total comprehensive income/(loss) for the quarter	1,963	(3,378)

Revenue

Revenue decreased by \$19.5 million, or 25.1%, from \$77.7 million for the three months ended March 31, 2016 to \$58.2 million for the three months ended March 31, 2017. This decrease is mainly due to the effect of market conditions on rates and utilization, which had a greater impact on the MENA and Subsea and Africa regions compared to the Caspian region.

The following table sets forth the breakdown of our revenue by operating division for the three-month periods ended March 31, 2017 and March 31, 2016:

	Three months ended March 31,		Decrease	
	2016	2017		
Topaz Marine Caspian.....	51,104	45,521	(5,583)	(10.9)%
Topaz Marine MENA and Subsea	20,227	10,968	(9,259)	(45.8)%
Topaz Marine Africa	6,376	1,722	(4,654)	(73.0)%
Topaz Marine Total.....	77,707	58,211	(19,496)	(25.1)%

In the Caspian region, revenue decreased by \$5.6 million, or 10.9%, for the three months ended March 31, 2017. This decrease was primarily driven by a \$4.2 million revenue reduction from the off-hire of barges and tugs in Kazakhstan related to the completion of the first phase of a project for the Kashagan field in Kazakhstan.

In the MENA region and our subsea operations, revenue decreased by \$9.3 million, or 45.8%, for the three months ended March 31, 2017. This decrease was primarily driven by off-hire and lay-ups of vessels, partly offset by \$0.9 million of revenue from a new vessel deployed for a long-term contract.

In Africa, revenue decreased by \$4.7 million, or 73.0% for the three months ended March 31, 2017. This decrease was primarily driven by off-hire and lay-ups of vessels.

Cost of revenue

Cost of revenue decreased by \$10.1 million, or 21.3%, from \$47.5 million for the three months ended March 31, 2016 to \$37.3 million for the three months ended March 31, 2017. This decrease was primarily due to optimization of crew costs in line with market conditions, which achieved savings of \$5.8 million, and savings on supply and maintenance through negotiating revised terms with our core suppliers, which achieved savings of \$1.0 million. Additional savings have been achieved through vessel lay-ups and other savings such as vessel idle costs and insurance, which have been cut as a result of our strategic cost efficiency program.

Administrative expenses

Administrative expenses decreased by \$2.0 million, or 23.2%, from \$8.7 million for the three months ended March 31, 2016 to \$6.7 million for the three months ended March 31, 2017. This decrease was primarily driven by lower staff cost of \$1.1 million due to various efficiency initiatives implemented across our operational offices.

Finance costs

Finance costs decreased by \$1.0 million, or 6.8%, from \$14.9 million for the three months ended March 31, 2016 to \$13.9 million for the three months ended March 31, 2017. This decrease was primarily due to the repayment of loans and the deferral of Shareholder Loans during the period. As of March 31, 2017, we had a principal amount outstanding of \$297.5 million under our CTA Facility and \$78.6 million outstanding under our Shareholder Loans, as compared to \$327.5 million outstanding under our CTA Facility and \$102.9 million outstanding under our Shareholder Loans as of March 31, 2016.

Income tax expense

Income tax expense decreased by \$1.3 million, or 25.9%, from \$5.0 million for the three months ended March 31, 2016 to \$3.7 million for the three months ended March 31, 2017. This decrease was primarily attributable to reduced tax liability driven by lower operating profits.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Our results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015 were as follows:

	Year ended December 31,	
	2015	2016
	(\$ in thousands)	
Revenue	362,470	282,087
Cost of revenue	(218,590)	(178,303)
Gross profit	143,880	103,784
Administrative expenses	(39,978)	(33,605)
Other income	100	453
Profit from operations	104,002	70,632
Impairment losses on vessels	(71,000)	(99,600)
Finance costs	(70,217)	(59,576)
Finance income	971	—
Loss before income tax for the year	(36,244)	(88,544)
Income tax expense	(22,248)	(13,534)
Loss for the year	(58,492)	(102,078)
Other comprehensive income for the year	—	—
Changes to cash flow hedges	—	—
Total comprehensive loss for the year	(58,492)	(102,078)

Revenue

Revenue decreased by \$80.4 million, or 22.2%, from \$362.5 million in the year ended December 31, 2015 to \$282.1 million in year ended December 31, 2016. This decrease is mainly due to the effect of market conditions on rates and utilization, which had a greater impact on the MENA and Subsea and Africa regions compared to the Caspian region.

The following table sets forth the breakdown of our revenue by operating division in 2016 and 2015:

	Year ended December 31,		Decrease	
	2015	2016		
	(\$ in thousands)		(%)	
Topaz Marine Caspian	227,985	206,030	(21,955)	(9.6)%
Topaz Marine MENA and Subsea	105,647	61,800	(43,847)	(41.5)%
Topaz Marine Africa	28,838	14,257	(14,581)	(50.6)%
Topaz Marine Total	362,470	282,087	(80,383)	(22.2)%

In the Caspian region, revenue decreased by \$22.0 million, or 9.6%, in the year ended December 31, 2016. This decrease was primarily driven by (i) a decrease of \$7.8 million from off-hire of barges in Kazakhstan, (ii) a decrease of \$13.4 million from a day rate reduction of the BP 2020 contract, which was renegotiated to include a longer term, and (iii) lower mobilization income, which is generated from the mobilization or demobilization of a vessel to or from a location, of \$4.1 million.

In the MENA region and our subsea operations, revenue decreased by \$43.8 million, or 41.5%, in the year ended December 31, 2016. This decrease was primarily driven by lower utilization and day rate reduction of one Subsea vessel resulting in revenue loss of \$13.4 million and the loss of revenue of \$23.3 million due to lower utilization as ten vessels were in lay-up due to rate pressures. This was partially offset by the deployment of a new vessel with Saudi Aramco on a long-term contract which contributed an additional \$3.6 million and better utilization of two vessels working in Africa which contributed an additional \$2.9 million.

In Africa, revenue decreased by \$14.6 million, or 50.6%, in the year ended December 31, 2016. This decrease was primarily driven by two vessels laid up to reduce costs, resulting in a revenue loss of \$5.3 million, one-off revenue recognized from the sale of a vessel in 2015 of \$2.5 million and lower utilization of two vessels due to market pressure on rates resulting in revenue loss of \$9.8 million. However, this decrease is slightly offset by the better utilization of two vessels on account of long-term contracts resulting in higher revenue of \$2.9 million as compared to the last year.

Cost of revenue

Cost of revenue decreased by \$40.3 million, or 18.4%, from \$218.6 million in the year ended December 31, 2015 to \$178.3 million in the year ended December 31, 2016. This was primarily due to reduced operating costs and efficiency initiatives related to rationalization of crew costs of \$23.4 million, reduced mobilization costs of \$8.7 million against two vessels having been mobilized to Caspian in 2015 and no similar mobilization in 2016 due to vessel lay-ups and the renegotiation of core supplier contracts and framework agreements. The increase in depreciation and dry-dock costs correlates with the increased number of vessels in our existing fleet and the amortization of costs for dry-dockings completed in 2015.

Administrative expenses

Administrative expenses decreased by \$6.3 million, or 15.9%, from \$40.0 million in the year ended December 31, 2015 to \$33.6 million in the year ended December 31, 2016. This decrease was primarily attributable to decreased operational staff costs of \$5.5 million and other costs driven by efficiency initiatives across operational offices.

Finance costs

Finance costs decreased by \$10.6 million, or 15.1%, from \$70.2 million in the year ended December 31, 2015 to \$59.6 million in the year ended December 31, 2016. The reduction in finance cost is primarily related to a one-off, non-cash charge of \$8.4 million in 2015 relating to the unamortized costs on refinancing the facilities. In 2015, we entered into the CTA Facility, a comprehensive financing facility with a syndicate of banks on a conventional and Shari'ah-compliant Islamic basis for up to \$550.0 million, a portion of which was used for refinancing of then existing bank debt, and a portion of which will be used for capital expenditure financing and for general corporate purposes. As of December 31, 2016, we had \$655.0 million outstanding under our term loans (including the Existing Notes), as compared to \$685.0 million outstanding as of December 31, 2015.

Income tax expense

Income tax expense decreased by \$8.7 million, or 39.2%, from \$22.2 million in the year ended December 31, 2015 to \$13.5 million in the year ended December 31, 2016. This decrease was primarily attributable to a deferred tax credit which arose due to the impairment charge on vessels that was applied in 2015. Our effective tax rate decreased from approximately 46% in 2015 to 14% in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Our results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014 were as follows:

	Year ended December 31,	
	2014	2015
	(\$ in thousands)	
Revenue	404,622	362,470
Cost of revenue	(217,251)	(218,590)
Gross profit	187,371	143,880
Administrative expenses	(45,673)*	(39,978)*
Other income	426	100
Profit from operations	142,124**†	104,002**†
Finance costs	(65,121)	(70,217)
Finance income	1,464	971
Impairment losses on vessels	(4,000)*	(71,000)*
Profit/(loss) before income tax for the year	74,467	(36,244)
Income tax expense	(22,371)	(22,248)
Profit/(loss) for the year	52,096	(58,492)
Other comprehensive income for the year	—	—
Changes to cash flow hedges	(158)	—
Total comprehensive income/(loss) for the year	51,938	(58,492)

* This figure has been amended to reflect the reclassification of impairment loss on accounts receivable from impairment losses to administrative expenses to conform with the December 31, 2016 presentation. The financial information for the years ended December 31, 2014 and December 31, 2015 are not directly comparable to the corresponding amount in the audited consolidated financial statements for the years ended December 31, 2014 and December 31, 2015, respectively.

† This figure has been amended to reflect the movement of impairment loss on accounts receivable from above the profit from operations line to below the profit from operations line to conform with the December 31, 2016 presentation. The financial information for the years ended December 31, 2014 and December 31, 2015 is not directly comparable to the corresponding amount in the audited consolidated financial statements for the years ended December 31, 2014 and December 31, 2015, respectively.

Revenue

Revenue decreased by \$42.2 million, or 10.4%, from \$404.6 million in the year ended December 31, 2014 to \$362.5 million in the year ended December 31, 2015. This decrease is mainly due to the effect of market conditions on rates and utilization in the MENA and Subsea and Africa regions, which was partially offset by our results in the Caspian region.

The following table sets forth the breakdown of revenue by operating division in 2015 and 2014:

	Year ended December 31,		Increase/(decrease) (%)	
	2014	2015		
	(\$ in thousands)			
Topaz Marine Caspian.....	223,478	227,985	4,507	2.0%
Topaz Marine MENA and Subsea	143,929	105,647	(38,282)	(26.6)%
Topaz Marine Africa	38,493	28,838	(9,655)	(25.1)%
Eliminations.....	(1,278)	—	1,278	(100)%
Topaz Marine Total.....	404,622	362,470	(42,152)	10.4%

In the Caspian Sea, revenue increased by \$4.5 million, or 2%, in the year ended December 31, 2015 from \$223.5 million in the year ended December 31, 2014 to \$228.0 million in the year ended December 31, 2015. This increase was primarily driven by increased revenue of \$5.2 million attributable to one new vessel operating for a twelve-month period in 2015 compared to only six months in 2014, and increased revenue of \$6.4 million due to higher utilization of two other vessels resulting from a new contract in Azerbaijan with BP. The increase in revenue was offset by the \$7.2 million loss of revenue from vessels in dry-dock resulting in a lower utilization.

In the MENA region and our subsea operations, revenue decreased by \$38.3 million, or 26.6%, in the year ended December 31, 2015 from \$143.9 million in the year ended December 31, 2014 to \$105.6 million in the year ended December 31, 2015. This decrease was primarily driven by \$21.7 million in revenue from the sale of a vessel in December 2014 that was phased out due to its age, lower utilization of two Subsea vessels due to the expiration of a long-term contract resulting in the loss of \$11.9 million in revenue, a loss of \$5.4 million of revenue due to the completion of long-term contracts for six vessels in Saudi Arabia and their subsequent deployment on lower rates as per the market. However, this decrease is slightly offset by better utilization of two vessels transferred from Africa to the MENA region and in respect of our subsea operations contributing \$2.0 million.

In Africa, revenue decreased by \$9.7 million, or 25.1%, in the year ended December 31, 2015 from \$38.5 million in the year ended December 31, 2014 to \$28.8 million in the year ended December 31, 2015. This decrease was primarily driven by loss of revenue of \$8.7 million due to lower utilization of four out of seven new vessels deployed in Africa, and loss of revenue of \$4.8 million due to two vessels previously operating in Africa transferring to MENA and our subsea operations. However, this decrease is offset by revenue of \$2.5 million from the sale of one non-core crew boat and the full-year impact of \$1.4 million from two vessels added in 2015.

Cost of revenue

Operational expenditures increased by \$1.3 million, or 0.6%, from \$217.3 million in 2014 to \$218.6 million in 2015, primarily related to an increase in depreciation and operating costs mainly due to the full-year impact of vessels added to the existing fleet. The cost increase was offset by savings on bareboat charter rates, primarily due to the acquisition of the vessels subject to bareboat charter in the fourth quarter of 2014 and other savings and lower depreciation mainly due to the disposal of a high net book value vessel in 2014.

Administrative expenses

Administrative expenses decreased by \$5.7 million, or 12.5%, from \$45.7 million in the year ended December 31, 2014 to \$40.0 million in the year ended December 31, 2015. This decrease was primarily due to savings in staff and other cost-efficiency initiatives in the form of a reduction of the management bonus.

Finance costs

Finance costs increased by \$5.1 million, or 7.8%, from \$65.1 million in December 31, 2014 to \$70.2 million in 2015. This increase was primarily attributable to non-cash charges of \$8.4 million relating to the unamortized costs on refinanced facilities which is slightly offset by savings in finance costs resulting from lower interest rates attributable to the CTA Facility. As of December 31, 2015, we had \$685.0 million outstanding of term loans (including our Existing Notes), as compared to \$704.1 million outstanding as of December 31, 2014.

Income tax expense

Income tax expense decreased by \$0.1 million, or 0.5%, from \$22.4 million in December 31, 2014 to \$22.2 million in 2015. Our effective tax rate decreased from 30% in 2014 to approximately (61%) in 2015.

Liquidity and Capital Resources

Historically, our principal sources of liquidity have been net cash from operating activities, existing cash and cash equivalents, short- and long-term committed and uncommitted loan facilities, guarantee facilities, equity and financing provided by our Principal Shareholder and our other shareholders through our Parent. Our principal uses of cash have been to fund capital expenditures, operating expenditures, loan repayments and interest payments.

We expect that our principal source of liquidity in the future will be net cash generated from operating activities, existing cash and cash equivalents, our CTA Facility, our guarantee facilities and our Vessel Term Loan Facility. We originally agreed to take delivery of the two vessels to be financed by the Vessel Term Loan Facility on July 10, 2017 and November 30, 2017, respectively, and this would have required us to draw the Vessel Term Loan Facility on or about these dates. We have reached a verbal agreement to delay delivery of these vessels until at least 2018; however, the agreements reflecting the extended delivery dates have not yet been finalized. See “*Risk Factors—Risks Related to Our Business and Industry—We may be unable to execute our growth strategy effectively*” and “*Description of Certain Financing Arrangements—Vessel Term Loan Facility*.” Our facilities enable us to have access to letters of credit, performance bonds and similar credit support required for the ordinary course of business. Our ability to generate cash from operating activities depends on our future operating performance which is in turn dependent, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control. See “*Risk Factors*.”

Our treasury function is centralized across our operations and we observe a minimum liquidity policy. We believe that our operating cash flows, together with borrowings under our financing arrangements, including the CTA Facility, will be sufficient to fund our anticipated capital expenditures, working capital requirements and payments of interest as they become due for the foreseeable future, although we cannot provide assurance that this will be the case. We believe that the primary potential risk to our liquidity is a reduction in operating cash flows due to a reduction in our utilization rate and day rates of our fleet of 120 vessels (including 23 vessels currently under construction), which could result from downturns in our performance or that of the industry as a whole, or from unforeseen delays. See “*Risk Factors—Risks Related to Our Business and Industry*.”

Historical Cash Flows

The following table summarizes the changes to our cash from operating, investing and financing activities in the years ended December 31, 2014, 2015 and 2016 and three months ended March 31, 2016 and 2017.

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
	(\$ in thousands)				
Net cash from/(used in):					
Operating activities.....	208,918	159,335	256,017	49,738	89,586
Investing activities.....	(298,113)	(47,082)	(153,333)	(15,454)	(56,419)
Financing activities.....	(18,688)	(107,598)	(118,294)	(14,551)	(15,419)
Net increase/(decrease) in cash and cash equivalents.....	(107,883)	4,655	(15,610)	19,733	17,748

The summary cash flow statement below sets forth how our cash and cash equivalents changed over the relevant periods indicated by cash inflows and outflows:

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
	(\$ in thousands)				
Profit/(loss) before income tax for the period	74,467	(36,244)	(88,544)	6,978	337
Adjustments to reconcile profit (loss) before tax to net cash flows:					
Charge on discontinuance of hedge accounting	(158)	—	—	—	—
Fair value changes of derivative financial instruments	(1,254)	(194)	—	—	—
Impairment losses on property, plant and equipment	4,000	71,000	99,600	—	—
Impairment loss on trade accounts receivables	4,528	226	3,472	—	—
Provision for employees end of service benefits	1,345	302	342	66	318
Profit on sale of property, plant and equipment	(19)	—	—	—	—
Finance income	(52)	(777)	—	(348)	(40)
Finance costs	65,121	70,217	59,576	14,916	13,905
Depreciation and amortization	61,625	70,570	74,372	18,173	17,010
Amortization of mobilization costs	9,175	2,890	1,924	705	60
Working capital adjustments:					
(Increase)/decrease in inventories	(136)	988	(2,363)	(8)	(1,106)
Decrease in marine vessels classified as inventories and sold during the year	7,898	3,609	—	—	—
Decrease/(increase) in accounts receivables, prepayments and other assets	3,697	2,365	(12,879)	7,211	28,112
(Decrease)/increase in accounts payable, accruals and other liabilities	(3,399)	(4,740)	139,525	5,696	33,223
(Decrease)/increase in due from/to related parties	(372)	597	(556)	1,577	1,607
Net cash from operations	226,466	180,809	274,469	54,966	93,426
OPERATING ACTIVITIES					
Income tax paid	(17,210)	(20,961)	(17,771)	(5,115)	(3,552)
Employees' end of service benefits paid	(338)	(513)	(681)	(113)	(288)
Net cash flows generated from operating activities	208,918*	159,335	256,017	49,738	89,586
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(295,069)	(57,511)	(152,319)	(15,229)	(56,134)
Advance paid for vessels	(1,161)	(553)	—	—	—
Purchase of intangible assets	—	(621)	(1,481)	(225)	(285)
Proceeds from disposal of property, plant and equipment	117	—	—	—	—
Change in long-term receivable	—	(1,397)	467	—	—
Net movement in restricted cash	(2,000)	13,000	—	—	—
Net cash flows used in investing activities	(298,113)	(47,082)	(153,333)	(15,454)	(56,419)
FINANCING ACTIVITIES					
Loans borrowed	91,568	345,884	13,000	13,000	—
Loans paid	(83,811)	(372,100)	(26,318)	(7,500)	(7,500)
Interest paid	(62,445)	(55,182)	(59,576)	(6,024)	(5,919)
Repayment of loan due to holding company	(28,000)	(2,000)	(36,400)	(14,027)	(2,000)
Dividend paid to holding company	(20,000)	(22,000)	—	—	—
Funding from customer towards non-capex	—	—	—	—	—
Dividend paid to noncontrolling interests	—	(2,200)	(9,000)	—	—
Funds introduced by noncontrolling shareholders	84,000	—	—	—	—
Net cash flows used in financing activities	(18,688)*	(107,598)	(118,294)	(14,551)	(15,419)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(107,883)	4,655	(15,610)	19,733	17,748
Cash and cash equivalents at period start	158,297	50,414	55,069	55,069	39,459
Effect of exchange rate changes on cash held	—	—	—	—	—
CASH AND CASH EQUIVALENTS AT PERIOD END	50,414	55,069	39,459	74,802	57,207

* This figure has been amended to reflect the reclassification of interest paid from net cash flows generated from operating activities to net cash flows used in financing activities to conform with the December 31, 2016 presentation. The financial information for the year ended December 31, 2014 is not directly comparable to the corresponding amount in the audited consolidated financial statements for the year ended December 31, 2014.

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

At March 31, 2017, we had \$57.2 million of net cash and cash equivalents, a decrease of \$17.6 million, or 23.5%, from \$74.8 million as of March 31, 2016. This decrease was primarily attributable to lower revenues earned during the past twelve months resulting in lower cash generated from operations.

The following discussion summarizes the changes to our cash from operating, investing and financing activities in the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

Operating activities

Net cash generated from operating activities increased by \$39.8 million, or 80.1%, from \$49.7 million in the three months ended March 31, 2016 to \$89.6 million in the three months ended March 31, 2017. This increase was primarily attributable to an increase in long-term payables by \$50.3 million on account of advance payment made by TCO during the construction phase of each vessel in connection with the TCO Future Growth Project.

Investing activities

Net cash used by investing activities increased by \$41.0 million, or 265.1%, from \$15.4 million in the three months ended March 31, 2016 to \$56.4 million in the three months ended March 31, 2017. This increase was primarily attributable a capital expenditure payment of \$50.3 million made by TCO during the construction phase of each vessel in connection with the TCO Future Growth Project. Investing activities also included payment of \$2.9 million towards growth capital expenditure and \$3.2 million towards maintenance capital expenditure.

The capital expenditure for the TCO contract is recorded as an advance that will be offset through future charter revenue earned under the contract, and this includes an offsetting increase in long-term receivable.

Financing activities

Net cash used by financing activities increased by \$0.9 million, or 6%, from \$14.6 million in the three months ended March 31, 2016 to \$15.4 million in the three months ended March 31, 2017. This increase was primarily attributable to higher net repayment towards parent company loan refinancing.

Financing activities include the CTA Facility debt repayment of \$7.5 million, \$2.0 million repayment of parent company debt, \$6.0 million payment of interest payments and \$15.0 million receipt of a payment from TCO towards capital expenditure related to the construction of the MCVs. Unutilized credit facilities include Tranche A of the CTA Facility in the amount of \$350.0 million and Tranche B of the CTA Facility in the amount of \$100.0 million expiring in April 2020. Our discussions with senior secured lenders to amend the terms to ensure improved short- and long-term flexibility have been successfully concluded, and our ability to draw on Tranche B of the CTA Facility thereby increased.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

At December 31, 2016, the Group had \$39.5 million of net cash and cash equivalents, a decrease of \$15.6 million, or 28.3%, from \$55.1 million as of December 31, 2015. This decrease was primarily attributable to higher dividends paid to noncontrolling interest of \$6.8 million and higher interest payout.

The following discussion summarizes the changes to the Group's cash from operating, investing and financing activities in 2016 compared to 2015.

Operating activities

Net cash generated from operating activities increased by \$96.7 million, or 60.7%, from \$159.3 million in the year ended December 31, 2015 to \$256.0 million in the year ended December 31, 2016. This increase was primarily attributable to approximately \$109 million of payables due under the TCO Future Growth Project to capital purchase included in the operating cash flows.

Investing activities

Net cash used in investing activities increased by \$106.3 million, or 225.7%, from \$47.1 million in the year ended December 31, 2015 to \$153.3 million in the year ended December 31, 2016. This increase was primarily attributable to capital expenditure payment of \$108 million, which was the first milestone payment to the shipyard for the construction of vessels in connection with the TCO Future Growth Project, which was fully funded by an advance

payment received from TCO (funding which is included in net cash generated from operating activities). Investing activities also include payment of \$22.6 million towards growth capital expenditure comprising of \$9 million towards procurement of a vessel to be deployed in the MENA region and the remaining \$13.6 million relates to milestone installments towards construction of two subsea vessels. Additionally, we spent \$21.4 million towards maintenance capital expenditure mainly consisting of dry-docking and upgrading our existing fleet.

Financing activities

Net cash used in financing activities increased by \$10.7 million, or 9.9%, from \$107.6 million in the year ended December 31, 2015 to \$118.3 million in the year ended December 31, 2016. This increase was attributable to higher dividend paid to noncontrolling joint venture interests by \$6.8 million, and higher interest payout and commitment fees paid on the CTA Facility, which was offset by lower interest payments on our Shareholder Loans.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

At December 31, 2015, the Group had \$55.1 million of net cash and cash equivalents, an increase of \$4.7 million, or 9.2%, from \$50.4 million as of December 31, 2014. This increase was primarily attributable to lower capital expenditure incurred in 2015.

Operating activities

Net cash from operating activities decreased by \$49.6 million, or 23.7%, from \$208.9 million in the year ended December 31, 2014 to \$159.3 million in the year ended December 31, 2015. This increase was primarily attributable to our increased focus on cash collections for amounts outstanding, which was partially offset by lower revenues resulting in lower cash generating from operations.

Investing activities

Net cash used in investing activities decreased by \$251.0 million, or 84.2%, from \$298.1 million in the year ended December 31, 2014 to \$47.1 million in the year ended December 31, 2015. This decrease was due to capital purchases in 2014 related to the purchase of twelve vessels and payment of an advance for two vessels under construction. Capital expenditure incurred in 2015 related to a \$40.0 million payment towards maintenance (dry-docking) and upgrading vessels and an investment of \$18.1 million in vessels under construction.

Financing activities

Net cash used in financing activities decreased by \$88.9 million, or 475.8%, from \$(18.7) million in the year ended December 31, 2014 to \$(107.6) million in the year ended December 31, 2015. This decrease was primarily attributable to funds introduced by \$84 million. Main drivers in 2015 comprise a dividend payment to the holding company of \$22 million in the second quarter of 2015, dividend payments to joint venture partners of \$2.2 million, loan drawdowns of \$345.9 million of the \$550.0 million CTA Facility along with the repayment and prepayment of \$337.1 million of existing debt. A revolving credit facility of \$20 million was also repaid in the second quarter of 2015. Shareholder Loans of \$28 million were due in the fourth quarter of 2015 of which \$2 million was repaid in the fourth quarter of 2015 and \$26 million was deferred to the first quarter of 2016. We paid a total \$10.4 million of the Shareholder Loans and deferred the remaining amount through an amendment to the loans.

Net Working Capital Requirements

The following table sets forth the principal components of our net working capital as of the end of the periods indicated.

	Year ended December 31,			Three months ended March 31, 2017
	2014	2015	2016	
	(\$ in thousands)			
Current assets				
Inventories	4,314	3,326	5,689	6,795
Trade receivables—gross	86,450	93,168	99,099 ⁽¹⁾	60,034
Advance to suppliers	4,845	5,197	2,768	5,455
Other receivables	4,892	5,773	7,476	14,553
Current liabilities				
Trade payables ⁽¹⁾	(13,234)	(6,675)	(41,055)	(7,758)
Accrued expenses	(26,069)	(33,840)	(27,297)	(29,023)
Other payables	(8,544)	(10,584)	(12,715)	(19,216)
Income tax payable	(20,192)	(20,370)	(21,881)	(22,044)
Net working capital	32,462	35,995	12,084	8,796

(1) Trade receivables and payables in the year ended December 31, 2016 include receivable and payables under the TCO Future Growth Project of \$34.4 million and \$32.8 million, respectively.

Our trade receivables consist of amounts to be received against goods or services billed to our customers in the ordinary course of business. Advances to suppliers are mainly advances paid towards capital and operational expenditures, and other receivables mainly relates to prepaid expenses, deferred mobilization cost and value-added tax (VAT) recoverable. Our trade payables and accrued expenses consist of amounts to be paid in the future for goods or services received, and other payables mainly relates to accrued expenses and deferred mobilization income. The Group's credit terms require amounts to be paid within 30–90 days from the date of invoice. Accounts payable are also normally settled within 30–90 days of the date of purchase.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Our net working capital decreased by \$23.9 million, from \$36.0 million in the year ended December 31, 2015 to \$12.1 million in the year ended December 31, 2016. This decrease is primarily due to (i) a fall in revenues resulting in lower trade receivables, offset by customer advances from the TCO Future Growth Project, and (ii) an increase in payables under the TCO Future Growth Project.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Our net working capital increased by \$3.5 million, from \$32.5 million in the year ended December 31, 2014 to \$36.0 million in the year ended December 31, 2015. This increase is primarily due to increases in trade receivables and decreases in trade payables.

Financing Arrangements

Over the period under review, our principal sources of financing were cash provided by operating activities, uncommitted and committed term loans provided by banks, equity and loans provided by the Principal Shareholder and our Parent, and equity provided by our joint venture partners in connection with the purchase of vessels owned by the joint ventures. As of March 31, 2017, we had \$726.1 million in gross debt.

Term Loans

As of March 31, 2017, we had \$297.5 million outstanding under our CTA Facility. Subsequent to March 31, 2017, we repaid \$7.5 million in principal amount outstanding under our CTA Facility.

As of March 31, 2017, a total of \$350.0 million of Tranche A of the CTA Facility was fully drawn, and Tranche B of up to \$100.0 million was not drawn. See “Description of Certain Financing Arrangements—Outstanding Credit Facilities.”

Our credit facilities particularly related to vessel financing are usually secured by pledges and charges over substantially all of the assets to which the loans relate. Other facilities, such as our CTA Facility, are also secured by pledges in Group and joint venture assets. Our loans usually include covenants that require us to maintain certain financial ratios above or below specified thresholds. In particular, we are required to limit our ratio of net debt to EBITDA and Total Debt to Total Tangible net worth and maintain a minimum liquidity. Most term loans provide for the relevant financial ratios to be tested at the Group level, though some impose requirements at the operating company level. Our term loans also include covenants that require us to obtain prior consent before taking certain actions, such as changing the ownership or control of Group companies. See *“Description of Certain Financing Arrangements—Outstanding Credit Facilities.”*

Financing Provided by the Principal Shareholder

We have historically received loans from our Principal Shareholder and through our Parent to fund both capital expenditures and working capital. As of March 31, 2017, we had \$78.6 million in aggregate principal amount outstanding under the Shareholder Loans. The Shareholder Loans are subordinated in right of payment to the Existing Notes in the event of default or insolvency. Repayment of principal amounts under each of the Shareholder Loans is subject to the consent of the lenders under the CTA Facility and the Vessel Term Loan Facility. Shareholder Loan A is in the amount of \$30.0 million (of which \$24.0 million was outstanding as of March 31, 2017). Shareholder Loan A may be repaid in installments of \$2.0 million on November 30 in each of 2017 and 2018 with a bullet payment of \$20.0 million on November 30, 2019. Shareholder Loan B is in the aggregate amount of \$104.0 million (of which \$41.6 million was outstanding as of March 31, 2017). Shareholder Loan B is due on December 31, 2023 and (i) the first tranche may be repaid in quarterly installments of \$0.4 million in 2018 and quarterly installments of \$0.7 million thereafter; and (ii) the second tranche may be repaid in annual installments of \$3.2 million in 2017 and 2018 with five annual installments of \$3.9 million thereafter. Shareholder Loan C is in the amount of \$13.0 million (of which \$13.0 million was outstanding as of March 31, 2017) and matures on March 30, 2023. Shareholder Loan C may be repaid in installments of \$1.3 million on November 30 in each of 2019 and 2020, \$2.6 million in each of 2021 and 2022, and \$5.2 million in 2023. The Shareholder Loans are back-to-back shareholder loans from the Principal Shareholder to the Parent which themselves are back-to-back loans from various commercial banks to the Principal Shareholder. The aggregate amount of our shareholder loans outstanding as of the years ended December 31, 2014, 2015 and 2016 were \$106.0 million, \$104.0 million and \$80.6 million, respectively.

We have historically also received equity capital contributions from our shareholders, which have been used to fund capital expenditures.

For further information on transactions between us and the Principal Shareholder, see *“Certain Relationships and Related Party Transactions”* and *“Description of Certain Financing Arrangements—Shareholder Loans.”*

Capital Contributions by Standard Chartered Private Equity Limited

On August 20, 2014, Standard Chartered Private Equity Limited invested \$75.0 million in the Company. The funds were used to acquire vessels in support of the Company’s disciplined long-term growth efforts. In 2016, Standard Chartered Private Equity Limited subsequently increased its shareholdings in the Company through the acquisition of shares from the Parent and transferred some shares to its affiliate Standard Topaz Limited. For further information, see *“Principal Shareholders.”*

Capital Contributions to Our Joint Venture Entities

We have entered into joint venture arrangements with Transmarine, a company ultimately owned by an Azerbaijani national, with which we have invested equity in 20 entities that are consolidated in the Group’s financial statements in connection with the purchase of vessels by such entities. For further information on our joint ventures, see *“Business—Partners and Joint Ventures.”*

Financial Obligations

Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2017:

	Payment on principal due in the year ended December 31,					Total
	2017	2018	2019	2020	Thereafter	
	(\$ in millions)					
CTA Facility ⁽¹⁾	30.0	30.0	30.0	40.0	175.0	305.0
Shareholder Loans (subject to lender consent) ⁽²⁾	7.3	6.8	28.0	8.0	21.2	71.3
Due to related parties	0.2	—	—	—	—	0.2
Existing Notes	—	350.0	—	—	—	350.0
Total	37.5	386.8	58.0	48.0	196.2	726.5

(1) Amounts due under the CTA Facility are shown in their aggregate principal amount. Subsequent to March 31, 2017, \$7.5 million of cash on our balance sheet was used to repay principal outstanding under Tranche A of our CTA Facility. Pursuant to the terms of the CTA Facility, we will be required to repay \$7.5 million of principal outstanding under the CTA Facility by the end of July, 2017. See “Description of Certain Financing Arrangements—Outstanding Credit Facilities—CTA Facility.”

(2) The repayment of the Shareholder Loans is subject to the consent of the lenders under the CTA Facility and the Vessel Term Loan Facility. See “Description of Certain Financing Arrangements—Outstanding Credit Facilities—Shareholder Loans.”

(3) We originally agreed to take delivery of the two vessels to be financed by the Vessel Term Loan Facility on July 10, 2017 and November 30, 2017, respectively, and this would have required us to draw under the Vessel Term Loan Facility on or about these dates. We have reached a verbal agreement to delay delivery of these vessels until at least 2018; however, the agreements reflecting the extended delivery dates have not yet been finalized. Pursuant to the terms of the Vessel Term Loan Facility, within three months of drawing the loan, we must repay 2.5% of the aggregate amount of such loan outstanding. Every three months thereafter, we must repay 2.5% of the aggregate amount of such loan outstanding until the termination date. See “Description of Certain Financing Arrangements—Outstanding Credit Facilities—Vessel Term Loan Facility.”

Contingent Liabilities

The following table summarizes our contingent liabilities as of December 31, 2014, 2015 and 2016 and as of March 31, 2017:

	As of December 31,			As of March 31, 2017
	2014	2015	2016	
	(\$ in millions)			
Letters of credit	—	9.0	—	—
Letters of guarantee	26.6	22.2	23.2	18.2
Total	26.6	31.2	23.2	18.2

Performance bonds are issued to clients to assure the due execution of contracts, and retention guarantees are issued to clients to assure the fulfillment of post-completion warranty or maintenance obligations.

There are no liabilities relating to TCO recorded under our contingent liabilities.

Committed and Anticipated Capital Expenditures

Our maintenance capital expenditures have historically been limited and relatively stable. Our maintenance capital expenditures comprise primarily (i) dry-dock maintenance and (ii) regular investments in equipment, upgrades and upkeep of our vessels to satisfy the vessel class and expected quality standards. Maintenance capital expenditure related to dry-dock maintenance varies depending on the number and type of vessels that are dry-docked during the year. In addition to the required dry-docking of our vessels and engine and turbocharge overhaul, we conduct ongoing, routine repairs and maintenance as necessary. Historically, we have financed maintenance capital expenditures with cash from operations.

Our growth capital expenditures have historically consisted primarily of acquiring new vessels. Historically, we have financed our expansion capital expenditures with borrowings under credit facilities and through equity. Our current growth capital expenditure commitments relate to commitments to build 17 MCVs (first of which was delivered on July 5, 2017) under the TCO Future Growth Project and three other vessels (two MPSVs to upgrade our fleet for subsea

operation and one AHTSV to expand our existing fleet in MENA) that are currently under construction. The approximately \$325 million construction costs for all 17 MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company's balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel. We have arranged to fund (i) up to \$84 million in remaining contractual capital expenditure to pay for the construction costs of our two new MPSVs and one AHTSV, for the two MPSVs, which are expected to be delivered during 2018, under the Vessel Term Loan Facility and by potentially either some cash on hand or a combination of cash at hand and drawings under Tranche B, and (ii) the approximately \$22 million in remaining contractual capital expenditure for the one AHTSV, which is expected to be delivered in 2018, with cash at hand combined with drawings under Tranche B. We originally agreed to take delivery of the two MPSVs on July 10, 2017 and November 30, 2017, respectively, and this would have required us to draw the \$84 million Vessel Term Loan Facility on or about these dates. We have reached verbal agreement to delay delivery of these vessels until at least 2018; however, the agreements reflecting the extended delivery dates have yet to be finalized. See *"Risk Factors—Risks Related to Our Business and Industry—We may be unable to execute our growth strategy effectively"* and *"Description of Certain Financing Arrangements—Vessel Term Loan Facility."*

The following table sets forth the breakdown of our capital expenditure in respect of growth and maintenance for the periods indicated.

	As of December 31,					Three months ended March 31,	
	2012	2013	2014	2015	2016	2016	2017
	(\$ in millions)						
Growth.....	87.1	135.9	276.5	18.1	22.6	9.2	2.9
Maintenance.....	13.1	19.1	19.7	40.0 ⁽¹⁾	21.4	6.2	3.2
Total	100.2	155.0	296.2	58.1	44.0	15.4	6.1

(1) The increase in maintenance capital expenditure in 2015 was related to the timing of vessels due for five-year class dry-docking as per their maintenance schedules and \$10.0 million in upgrades to core assets to enhance their capabilities, which was a one-off expense.

Dividends

During the year ended December, 31 2016, we did not pay any dividends to our Parent, compared to dividends of \$22.0 million in the year ended December 31, 2015 and dividends of \$20.0 million in the year ended December 31, 2014.

Pensions

We do not operate any pension schemes. As of March 31, 2017, we have no provision relation to pensions, because there is no statutory requirement to maintain such a provision in the jurisdictions in which we operate.

Qualitative and Quantitative Disclosure About Market and Credit Risks

Market risk is our exposure to loss due to adverse changes in the fair value of our financial instruments resulting from currency exchange rates and interest rates. We are also exposed to credit risk in connection with our trade accounts receivable. These exposures may change over time as our business practices evolve and could have a material adverse impact on our financial results. For further information on these exposures, see *"Risk Factors—Risks Related to Our Business and Industry—We are exposed to interest and exchange rate fluctuations."*

Currency Risk

We are exposed to currency risk on sales and purchases denominated in currencies other than AED, which is the functional currency of the Group, or currencies that are pegged to the U.S. dollar. Our exposure to currency risk tends to be hedged naturally, because most of our revenues are derived in U.S. dollars. We use forward contracts for sales and purchases denominated in currencies other than U.S. dollars to hedge our currency risk, with a maturity of less than one year from the reporting date.

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 optimizing the return. The Group used

floating-to-fixed interest rate swaps, and avails itself of opportunities to restructure 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. The Group seeks to pay expenses and invoice customers primarily in U.S. dollars.

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 December 31, 2016, approximately 57% of the Group's borrowings are at a fixed rate of interest (2015: 57%). Since this meets the Group's policy of maintaining at least 40% of its borrowings at fixed rates, no interest rate swaps were transacted in 2015 and 2016.

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

Trade Accounts and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Approximately 42% (2015: 36%) of the Group's revenue is attributable to sales transactions with a single customer. The Group's ten largest customers accounted for 83% (2015: 84%) of the outstanding trade accounts receivable at December 31, 2016. Geographically the credit risk is significantly concentrated in the MENA region and in respect of our subsea operations and the Caspian region.

Management has established a credit policy under which each new customer is analyzed 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.

Critical Accounting Policies

In presenting the Group's financial information in conformity with IFRS, the Group is required to make estimates and assumptions that affect the amounts reported and related disclosures. Several of the estimates and assumptions the Group is required to make are related to matters that are inherently uncertain because they pertain to future events. If there is a significant unfavorable change to current conditions, it could have a material adverse effect on the Group's consolidated results of operations and financial condition. Management believes that the estimates and

assumptions used when preparing the Group's consolidated financial information included in the notes to the financial statements were the most appropriate at that time.

Presented below are those accounting policies that management believes require subjective and complex judgments that could potentially affect reported results. For further information on the Group's accounting policies, see the notes to the financial statements.

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 recognizes 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 the charter of vessels, mobilization income, and revenue from the provision of on-board accommodation and catering services and the sale of fuel and other consumables.

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

Sale of Vessels

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

Property, Plant and Equipment

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

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized 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
Vessels acquired (including boats)	15 to 30
Expenditure on vessel dry-docking (included as a component of 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 capitalized 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 capitalized and the carrying amount of the component that is replaced is written off.

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

Gains and losses on the disposal of an item of property, plant and equipment, other than vessels, are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment, and are recognized 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 costs directly attributable to construction, including capitalized borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Dry-docking Costs

The expenditure incurred on vessel dry-docking, a component of property, plant and equipment, is amortized 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.

Vessel Refurbishment Costs

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

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or groups of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount, an impairment loss is recognized in profit or loss. An impairment loss in respect of goodwill is not reversed. Where goodwill forms part of a cash-generating unit (or groups of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the 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 amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized in profit or loss as incurred.

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

Impairment

Impairment of Goodwill

The Group determines on an annual basis whether goodwill is impaired or not. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2016 was \$26.2 million (2015: \$26.2 million). Details of the impairment assessment are set out in Note 14 to our annual audited consolidated financial statements for the year ended December 31, 2016.

Impairment of Vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 "Impairment of Assets." This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels at December 31, 2016 was \$1,062.6 million (2015: \$1,179.8 million).

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 management covering a period of five years based on the expected utilization rates of the individual vessels using a discount rate of 11.8% (2015: 11.7%). Cash flows beyond five years are estimated using a nil growth rate.

Impairment of Accounts Receivable

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

At December 31, 2016, gross trade accounts receivable were \$99.1 million (2015: \$93.2 million) and the provision for doubtful debts was \$4.5 million (2015: \$8.6 million). Any difference between the amounts actually collected in future periods and the amounts expected to be impaired will be recognized in the consolidated statement of comprehensive income.

Impairment of Inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts that 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 aging or obsolescence, based on historical selling prices, consumption trends and usage.

At December 31, 2016, gross inventories were \$5.7 million (2015: \$3.3 million) with provisions for old and obsolete inventories of nil (2015: nil). Any difference between the amounts actually realized in future periods and the amounts provided will be recognized in the consolidated statement of comprehensive income.

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, the 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 the 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 amortized 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 recognized in the consolidated statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than goodwill, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated income statement. Impairment losses recognized 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 the time value of money and risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

Impairment losses recognized 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 amortization, if no impairment loss had been recognized.

Inventories

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

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

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.

Future Accounting Changes

The IFRS standards and interpretations that are issued, but not yet effective, and expected to have a significant impact on our financial statements are disclosed below. We anticipate that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2019. For a description of the standards that are issued, but not yet effective, see note 3 of the audited consolidated financial statements of the Group for the year ended December 31, 2016.

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments,” which was issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and again in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replaces IAS 39 “Financial Instruments: Recognition and Measurement.” The standard contains requirements in the following areas:

- *Classification and measurement:* Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to that under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- *Impairment:* The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- *Hedge accounting:* A new hedge accounting model is introduced that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- *Derecognition:* The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 “Revenue from Contracts with Customers”

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

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

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

Amendments to IFRS 15 “Revenue from Contracts with Customers” clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

IFRS 16 “Leases”

IFRS 16 “Leases” specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

INDUSTRY OVERVIEW

- **Oil price remains suppressed but signs of stability and a rebalancing of the market is evident:** The demand/supply imbalance has driven the benchmark Brent oil price from a peak of \$126 per barrel on March 14, 2012 to its current price of \$49 per barrel (as of June 30, 2017). Recent commitments from OPEC and non-OPEC members to curtail production along with growing demand could support price stabilization or increases in prices.
- **Shallow-water regions continue to produce, with the capital deployment outlook improving:** Shallow-water regions, such as the Caspian and MENA, have experienced relatively strong production and project sanctioning throughout the downturn, with global E&P expenditure forecast to increase by 19% to \$417 billion in 2017.
- **Offshore activity drivers are improving:** The outlook across the offshore oil and gas sector is improving with global expenditure anticipated to stabilize and then gradually increase from lows in 2016. This is further supported by a greater proportion of spend being associated with life of field operations. The Middle East, Eastern Europe and the Former Soviet Union (the “FSU”) are acknowledged as the key growth regions.
- **Certain OSV markets remain robust with shallow water regions providing near-term upside:** Oil and gas production in the offshore Caspian region is anticipated to grow by over 50% over the next five years. Recent mega-projects (such as Tengiz, Kashagan and Shah Deniz) support favorable market conditions relative to the industry as a whole with expectations of improving day rates and utilization levels higher than the global average as OSV demand is expected to grow to outstrip supply. The MENA market has shown resilience through the downturn relative to other oil and gas producing regions and is expected to see improved conditions over the next five years.
- **Positioning across an asset life cycle is critical:** Exposure to offshore activities driven by operational expenditure supports earnings stability as production optimization and maintaining HSE standards continue to be important even when oil prices fluctuate.
- **Competitive landscape is fragmented:** The current global OSV industry is oversupplied, which has contributed to a significant proportion of the global fleet (approximately 28%) being in lay-up. However, the global oversupply of vessels has had a more pronounced effect on operators with older fleets who are less able to meet customers’ increasingly demanding vessel specification requirements and operators in markets that are relatively easy for new competitors to enter.

The Oil and Gas Industry

Crude oil is an internationally traded commodity that is primarily used as an input in refined products, which are in turn used by end-consumers. The road transportation fuels segment accounts for the greatest share of demand consumption followed by petrochemicals.

The crude oil market is driven largely by global supply and demand fundamentals as well as other factors, such as inventory levels, refinery outages, broader infrastructure availability and perceived levels of spare capacity held by OPEC countries and key producing regions. Other factors influencing the oil market include environmental disruptions and geopolitical events.

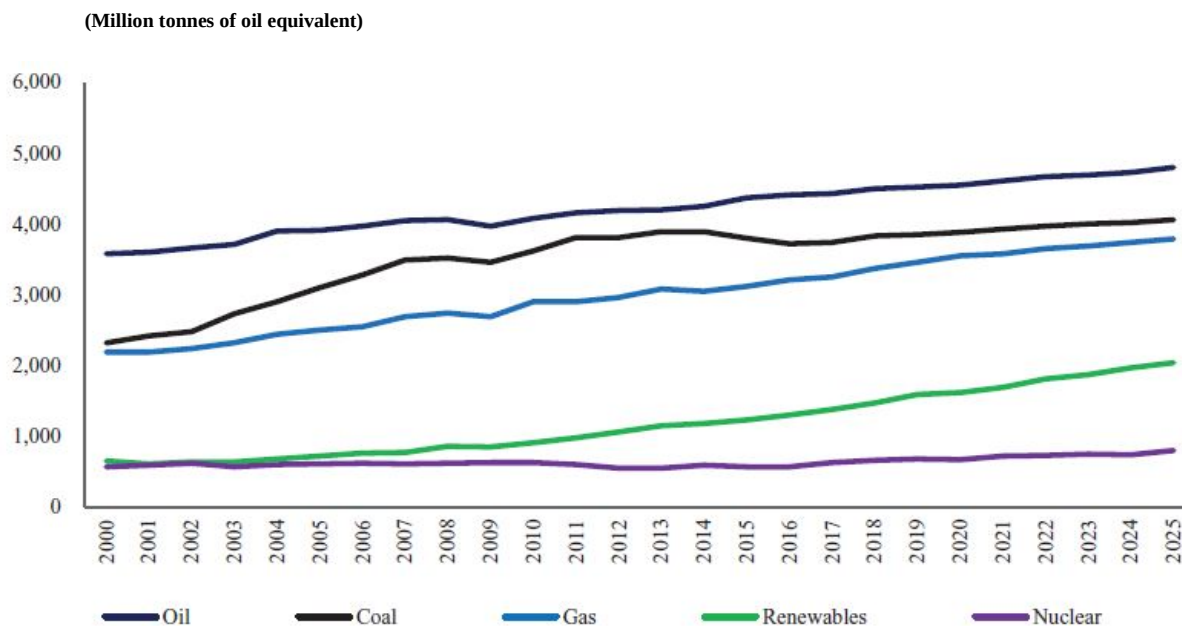
While crude oil remains the primary energy source in the market, natural gas is gaining significant importance globally as the demand for a relatively clean fuel source becomes more important. Driven in large part by power generation needs, natural gas is considered a more favorable fossil fuel than coal for its significantly lower carbon dioxide (CO₂) emissions as well as its lower relative price versus other competing energy sources.

Global Energy Outlook

Global energy demand is the fundamental driver of all oil- and gas-related activities. The period between 2000 and 2015 saw a span of substantial growth with global energy demand increasing by 40%, culminating in \$80+ per barrel of crude oil and increased exploration and production expenditure. The outlook for the global demand for energy is expected to continue to grow as the world’s population is predicted to reach 8.2 billion by 2025 with GDP per capita increasing by 41% over the same period, as global energy consumption grows a further 17% between 2016 and 2025, according to Westwood Global Energy Group.

While there will be an increasing push towards renewable energy in the future, oil and gas currently still hold very high proportions of global energy consumption, with a supply mix of 33% and 24%, respectively in 2016.

Global Energy Demand Outlook by Fuel



Source: Westwood Global Energy Group, June 2017

Despite higher energy consumption levels, global production has continued to outpace demand for oil, resulting in sustained overcapacity and downward pressure on oil prices. Brent benchmark oil prices fell from the peak of \$126 per barrel on March 14, 2012 to its low of \$26 per barrel on January 20, 2016 with a subsequent recovery to a spot price of \$49 per barrel as of June 30, 2017. While multiple factors impact the supply/demand balance, the recent significant increases in U.S. shale production is one of the key contributors to the current oversupply position.

In November 2016, OPEC (accounting for approximately 50% of the world's crude exports) and certain non-OPEC members (such as Russia, Mexico and Kazakhstan) agreed to production cuts in an attempt to support a supply/demand balancing in the global crude markets. This landmark agreement was further extended in May 2017 to March 2018, demonstrating a continued commitment to supporting prices. As of June 2017, OPEC and non-OPEC members were in full compliance with pledged cuts of 1.8 mboepd. It is possible that these actions could be a driver bringing down overall supply.

Global gas production is anticipated to increase to 4.1 million barrels oil equivalent per day ("mboepd") over the 2017–2021 period supported, in part, by a significant increase in global gas supply from the Caspian region. Gas projects are typically less sensitive to prevailing spot prices because they are typically underpinned by long-term sales agreements.

Industry Expenditure Outlook

Oil prices are a key driver of industry investment expenditure with stable prices tending to better allow for more long-term capital planning, which can be a substantial component of the overall activity levels of oil and gas companies. These are typically implemented over several years with project time scales, particularly in the offshore sector, that exceed ten years.

The impact of recent oil price reductions has resulted in global offshore E&P capital expenditure falling by 46% between 2014 and 2016—resulting in the first "double-dip" reduction (two consecutive declines) in capital expenditure since 1986. While the macro-environment has been challenging, E&P companies have been forced to identify solutions to reduce the average cost of projects, including the simplification and redesign of field development plans and cutbacks in discretionary spending. This has led to the approval of development opportunities at lower than expected oil prices. Examples include BP's Mad Dog 2 and Statoil's Johan Castberg developments, which were sanctioned during late 2016, with costs 60% and 50% lower, respectively, than initial proposals pre-downturn.

While capital expenditure plans are typically relatively more sensitive to movements in oil prices, operating expenditures are typically relatively more resilient. Operating expenditures include those relating to supply, logistics, maintenance and repair work on installations during the production phase, which are key to maintaining production and as a result are often in a position to benefit from more stable expenditure profiles, relative to capital expenditure-dominated contracts.

A number of other factors influence investment decisions of oil and gas companies in addition to oil and gas prices, including full-cycle project economics, the strategic priorities of operators, sunk costs, financial flexibility, geopolitical events, political instability in the regions where oil is found and the fiscal stability of the relevant entity. In addition, while oil and gas together currently still act as the largest sources of energy consumption, new technologies related to the renewable energy sector may in future also influence the decisions of oil and gas companies.

Global Exploration and Production Expenditure Outlook

Comparative economics and prospectivity, which refers to the potential of a particular geographic area to host oil and gas reserves, affect the distribution of oil and gas exploration, development and production expenditures across geographic regions and between offshore and onshore projects. According to Westwood Global Energy Group, capital expenditures are expected to reach \$417 billion in 2017, reflecting a 19% increase on 2016. Post-2017, Westwood Global Energy Group anticipates year-on-year average growth of 6.5% per annum as the industry adjusts to lower oil prices.

Global Offshore Exploration and Production Outlook

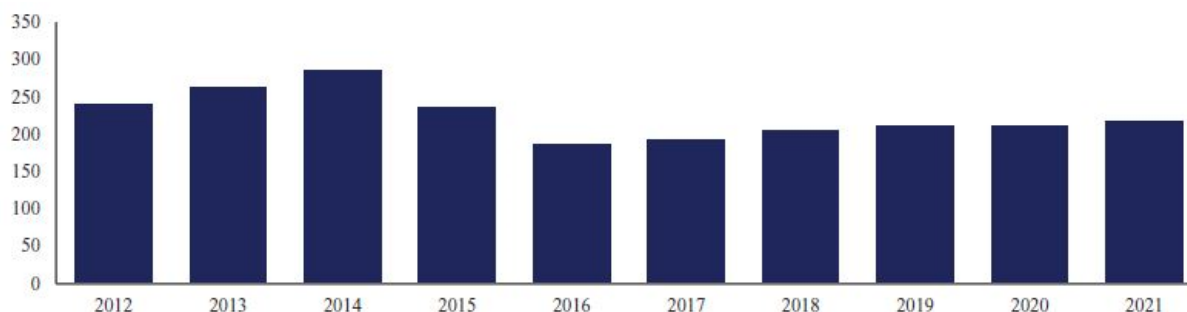
Total offshore E&P spend, including capital and operating expenditures, is estimated by Westwood Global Energy Group to reach \$192 billion in 2017, an increase of 3% from \$186 billion in 2016 with year-on-year average growth of 3.1% expected beyond 2017 in the near- to mid-term.

According to the Westwood Global Energy Group, the growth in aggregate offshore expenditure is supported by the Middle East, Eastern Europe and the FSU region with the Middle East anticipated to demonstrate a CAGR of 6.0% (twice the global average) over the 2017–2021 period and Eastern Europe and the FSU expecting to see growth of 28% (compared to the last five-year period). This counters a production shift away from marginal oil fields in Europe and North America that required sustained high oil prices to remain viable. While, in general terms, offshore capital expenditure is more sensitive to oil prices, the life of field expenditure provides more stability.

In an effort to reduce costs, many operators also reduced or deferred maintenance, modifications and operations (“MMO”) expenditure. According to the Westwood Global Energy Group Report, a significant uptick in inspection, repair and maintenance related expenditure is expected, with global MMO expenditure forecast to increase from \$66 billion in 2016 to \$79 billion by 2021. Westwood Global Energy Group anticipates growth in the Middle East (CAGR of 10.6%) and Eastern Europe and the FSU (CAGR of 9.1%) over the 2016–2021 period.

Offshore support vessels are often used throughout the production life of an oil and gas field to support ongoing production operations from installed infrastructure.

Global Offshore E&P Expenditure (\$ in billions)



Source: Westwood Global Energy Group, June 2017

Drivers of OSV Activity

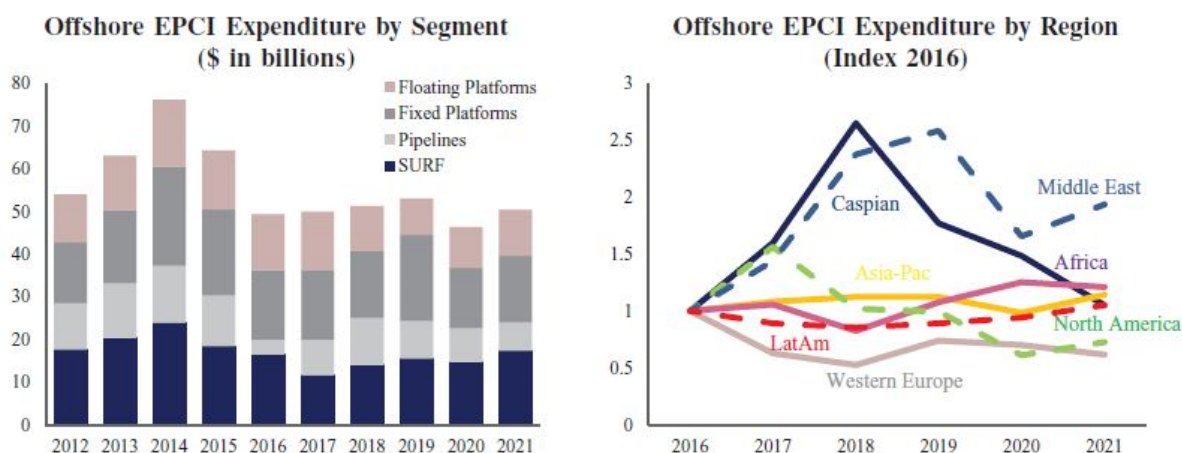
Offshore Drilling

The demand for offshore drilling services is driven in substantial part by oil and gas companies' anticipation of oil and gas prices and worldwide demand. Volatility in prices has led to fluctuations in expenditures on drilling services with different segments of the industry being impacted in varying magnitudes.

The volatility in the oil and gas market over the 2014–2016 period led to a diminished demand across all offshore drilling classifications, but this effect was particularly pronounced in deepwater regions (e.g., Brazil and the Gulf of Mexico). However, the first months of 2017 have brought some signs of recovery, and jackup, drillship and semi-submersible demand are expected to increase at a CAGR of 2.5%, 5.1% and 7.0%, respectively, over the 2017–2020 period, according to the Westwood Global Energy Group Report, with shallow water regions, which include the Middle East and the Caspian Sea, helping to drive the recovery.

Offshore Engineering, Procurement, Construction and Installation (“EPCI”)

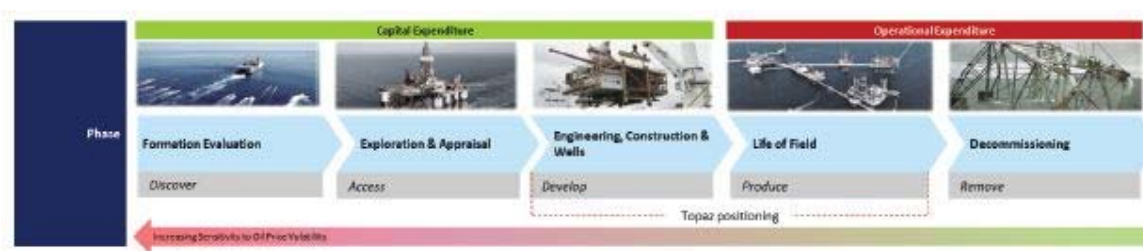
The global offshore EPCI market covers the development of new oil and gas fields and is a factor driving offshore support vessel demand. EPCI expenditure peaked in 2014 at \$76.2 billion before subsequently falling 35% to \$49.3 billion in 2016. From 2017, global EPCI expenditure is estimated to remain steady at approximately \$50 billion per annum. The Caspian Sea is currently a planned site for a number of large projects such as Tengiz, Kashagan, ACG and Shah Deniz 2, underpinning significant expected growth within the region. The Middle East is also potentially positioned for growth, where Saudi Arabia is expected to spend significantly to increase offshore capacity in both the Arabian Gulf and the Red Sea.



Source: Westwood Global Energy Group, June 2017

Overview of the Offshore Support Vessel Industry

Offshore support vessels are utilized across the exploration, development and production decommissioning of offshore oil and gas fields (including operational driven expenditure across the life of a field).



- **Formation evaluation and exploration and appraisal:** Requires AHTSVs, MPSVs, seismic survey vessels and crew boats in support of offshore oil and gas exploration activities. The formation evaluation

and exploration and appraisal phases of a development are typically more sensitive to prevailing oil and gas prices.

- **Engineering, construction and wells:** Requires a broad spectrum of offshore support vessels including AHTSVs, MPSVs, ERRVs, LCVs, crew boats and specialized barges in support of clients engaged in oil and gas field development activities.
- **Life-of-field:** Requires AHTSVs, PSVs, MPSVs, ERRVs, crew boats and specialized barges in support of clients engaged in offshore oil and gas activities across the life of a field, including production. Life-of-field operations provide for relatively greater stability and certainty as to future revenues than formation evaluation, exploration and appraisal, drilling and EPCI as a result of longer-term projects, in some cases lasting as long as 50 years. Life-of-field operations are typically less influenced by prevailing oil and gas market fundamentals.
- **Decommissioning:** Requires AHTSVs, PSVs, MPSVs, LCVs and crew boats in support of clients engaged in oil and gas field decommissioning activities. This phase involves the removing, disposing and/or reusing of offshore infrastructure and has historically been deferred as a result of it being a liability for operators. Due to the current market conditions, operators are now addressing decommissioning as a requirement.

Overview of Vessel Types

Vessel Classification		Brief Summary
Anchor Handling Tug Supply Vessels (AHTSVs) / Anchor Handling Tug		Designed for anchor handling and towing offshore platforms, barges and production modules and vessels. AHTSVs also perform ordinary supply services and may have additional equipment for firefighting, oil recovery and rescue duties.
Platform Supply Vessels (PSVs)		Designed to transport supplies and equipment to and from offshore installations. PSVs are also used to supply drilling equipment, drilling bulks, fluids and pipes.
Multi-Purpose Support Vessels (MPSVs)		Designed to accommodate a range of offshore assets and equipment such as drilling products and to support inspection, maintenance, repair, diving and construction activities.
ROV Support Vessels (ROSVs)		Designed to support operations of Remotely Operated Vehicles (ROVs) which are used to conduct a variety of construction and maintenance activities.
Light Construction Vessels (LCVs)		Designed to support the installation of subsea infrastructure.
Emergency Recovery and Response Vessel (ERRV)		Designed to provide safety support to offshore installations. Typical features include daughter craft, fast rescue craft, and firefighting and oil recovery capabilities. ERRVs may also carry out duties such as inter-field cargo operations, towage, assistance and pollution control.
Crew Boats		Designed to transfer personnel and limited cargo from onshore to offshore installations and between offshore installations.
Specialized Barges		Designed as flat-top barges with cargo transport capability, cutting and bulk barges designed to carry drilling fluids, and barges specialized for regional conditions such as shallow draft and ice-strengthened barges for operations in the Northern Caspian Sea.

An increased drive for operational efficiency, HSE and environmentally sustainable solutions are driving the requirement for the continued technological evolution of the offshore support fleet as operators look to drive efficiency through technologies such as dynamic positions (with back-up systems in place to minimize downtime and increase the accuracy of vessel operations) and fuel efficiency (e.g., diesel electric engines, higher standards for fuel oil, etc.).

Overview of Competitive Landscape

The global fleet of OSVs is fragmented, with more than 1,000 players operating and the top ten OSV operators accounting for just 21% of total supply, according to Westwood Global Energy Group. The table below lists the largest managers by number of small OSVs, AHTSVs and PSVs and has not included broader fleet owners.

Number of Vessels per Manager	Small OSV	PSV >2,000 dwt	AHTSV >8,000 hp	Crewboats	ROVSV	LCV	Total	Average Fleet Age
Tidewater	66	67	30	32	—	1	196	13
Edison Chouest	13	111	19	21	—	2	166	10
Bourbon	57	38	32	42	4	10	183	8
Swire Group	28	19	32	1	3	—	83	10
Maersk Group	6	10	34	3	—	—	53	16
Seacor Holdings	19	16	12	48	2	—	97	13
Topaz ⁽²⁾	19	14	12	11	3	1	60	9 ⁽³⁾
POSH	10	9	26	—	—	3	48	6
Hornbeck Offshore	5	36	—	—	3	4	48	9
GulfMark	3	28	4	—	—	—	35	9
Farstad Shipping	—	19	15	—	—	1	35	10
Siem Offshore	1	12	9	11	—	1	34	17
Other contractors	1,744	553	557	956	98	82	3,990	
Total	1,971	932	782	1,125	113	105	5,028	14

Notes:

(1) Source: Westwood Global Energy Group.

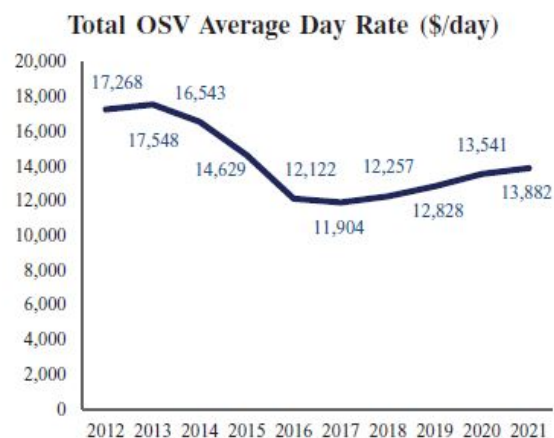
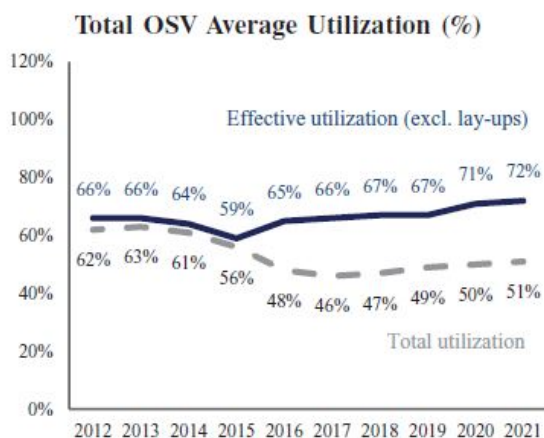
(2) Excludes Emergency Response and Recovery Vessels (ERRVs), workboats, crewboats, barges, tugs owned and/or operated by us as well as newbuilds.

(3) Excludes newbuilds.

Recently, the industry has struggled with excess supply exacerbated by the oil price downturn. The number of laid-up vessels has increased substantially over the past two years and currently stands at 28% of total supply. This market dynamic is the forced rationalization of current fleets, because vessels over 30 years of age are now more often laid up.

Overview of Global OSV Market

The global demand for OSVs has fallen 16% since 2014 as a result of reduced activity within the offshore sector (across all verticals of an asset's life cycle). As industry demand reduced and supply increased as a result of the second build cycle from 1997, which saw 3,998 deliveries of OSVs, the global OSV market is in a period of significant oversupply. This has led to a reduction in average utilization and day rates across the sector. As the OSV market reacts to the prevailing oil and gas market conditions, a pickup in utilization levels and day rates could occur due to a thinning of the fleet due to retirement and/or scrapping over the next five years and improving near-term demand for OSVs.

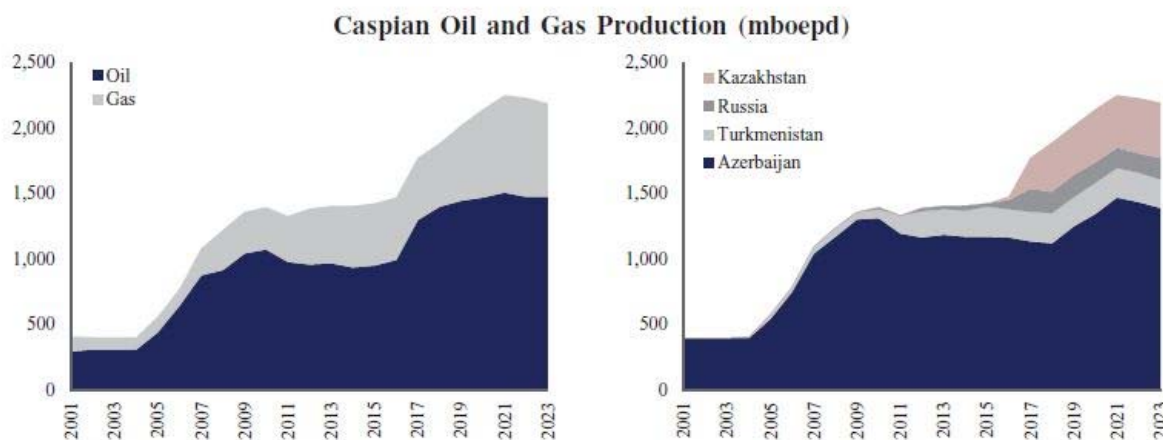


Source: Westwood Global Energy Group, June 2017

Regional Overview of Topaz's Key Operating Regions

Caspian

Since 2000, the Caspian region has transformed from a relatively small oil and gas province to a major hub of oil and gas production. In 2016, according to the Westwood Global Energy Report, oil and gas production in the region was estimated to be 1.5 mboepd, having increased following the development of the giant Shah Deniz field off the shore of Azerbaijan in 2006. According to the Westwood Global Energy Group Report, the Caspian is now poised to potentially enter a second major phase of growth driven, in part, by continued development of the Shah Deniz field, the Kashagan field (which has been the world's largest oilfield development for the last 35 years), and the TCO Future Growth Project. Westwood Global Energy Group estimates that oil and gas production in the region will increase by 50% by 2021.



Source: Westwood Global Energy Group, June 2017

The E&P landscape in the Caspian region is relatively consolidated with activity concentrated between one or two major players in each country. In Azerbaijan the BP-led AIOC consortium operates the ACG and Shah Deniz fields with NOC Socar producing from a handful of smaller fields. Other major E&P players include Lukoil, a primary player in the Russian sector, ENOC and Petronas in Turkmenistan and the Eni-operated North Caspian Operating Company ("NCOC") in Kazakhstan.

Selected major fields in the Caspian region supported by Topaz include the following:

Field Summary	
	Name: Tengiz Country: Kazakhstan Discovered: 1979 Operator: TCO Reserves: 9 bn boe* Onstream 1993 Peak output: 520 kboepd* Capex: approximately \$50 billion* *Note: Source from Westwood Global Energy Group Report and not official TCO data.
	Name: Kashagan Country: Azerbaijan Discovered: 2000 Operator: NCOC Reserves: 13 bn boe Onstream: 2013 Peak Output: 425 kboepd CAPEX: approximately \$136 billion
	Name: ACG Country: Azerbaijan Discovered: 1985 Operator: AIOC Reserves: 5.4 bn boe Onstream: 1997 Peak Output: 885 kboepd CAPEX: approximately \$33 billion
	Name: Shah Deniz Country: Azerbaijan Discovered: 1999 Operator: AIOC Reserves: 6.1 bn boe Onstream: 2006 Peak Output: 627 kboepd CAPEX: approximately \$34 billion

Source: Westwood Global Energy Group Report

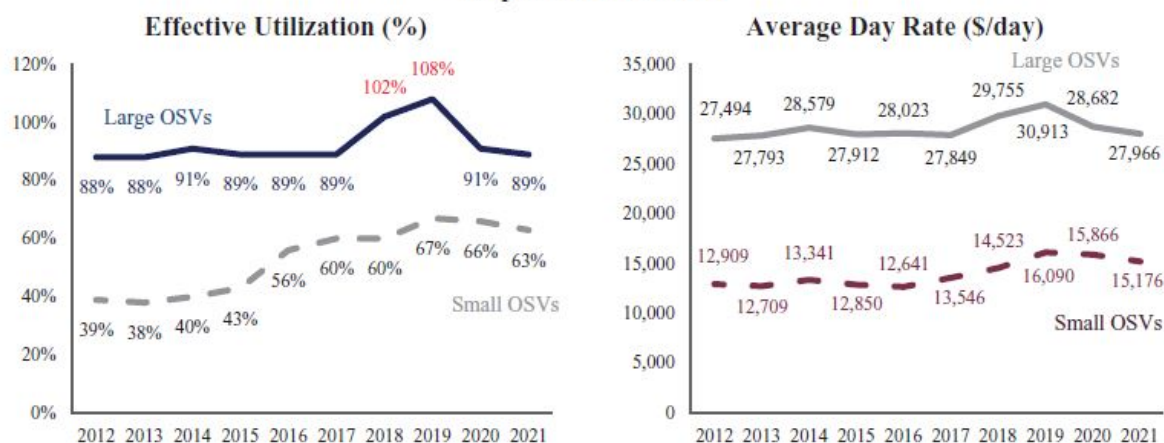
As a result of the significant growth of oil and gas production, a substantial increase in the levels of offshore rig requirements is expected, according to the Westwood Global Energy Group Report, which would strain existing OSV capacity considerably.

While the Azerbaijan region has historically dominated the Caspian market, future drilling activity is expected to involve Turkmenistan and Russia to a much greater extent. According to the Westwood Global Energy Group report, a significant increase in exploration and appraisal are also expected in the region. Iran and Kazakhstan could also provide significant upside to existing projections with both countries expected to invest significantly in exploration over the coming years.

Following a period of increased production within the Caspian region, offshore EPCI expenditure has followed a similar growth trajectory with an estimated \$14.9 billion being spent on the development of offshore oil and gas projects in the Caspian region, including major developments such as Tengiz, Shah Deniz and ACG in Azerbaijan and Vladimir Filanovsky in Russia. Low relative average operating costs are key drivers of production within the Caspian region with areas such as Azerbaijan and Kazakhstan areas having lifting costs of \$4/boe and \$5/boe, respectively according to Wood Mackenzie. The low cost profiles provide a stable production profile in a lower-for-longer oil price environment.

The OSV market is anticipated to benefit from the increased activity within the Caspian region, with demand for vessels forecast to grow significantly over the near term, putting pressure on the existing supply. Regionally, OSV demand is strongly driven by Azerbaijan and Turkmenistan. The rapid surge in demand within the region is expected to outstrip supply, putting upward pressure on utilization levels and day rates over the 2017 to 2019 period.

Caspian OSV Outlook



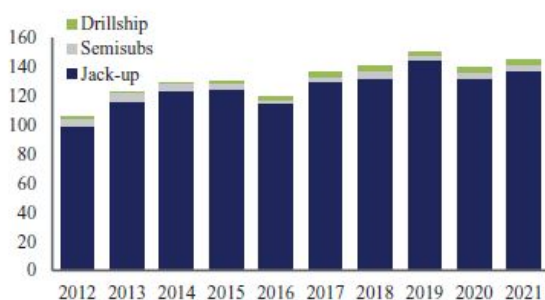
MENA

The MENA region is a prolific offshore basin which is estimated to account for 30% of global oil and gas production and 32% of global offshore output. The region accounts for 88% of OPEC-related production and plays a significant role in global trade, with 52% of oil and 19% of gas exports in 2016. Over the next decade offshore production is expected to grow by 25% from 15.4 mboepd in 2016 to 18.9 mboepd by 2025, according to the Westwood Global Energy Group Report, with much of this incremental capacity being associated with natural gas as the region looks to tap into growing demand in Asia and European markets.

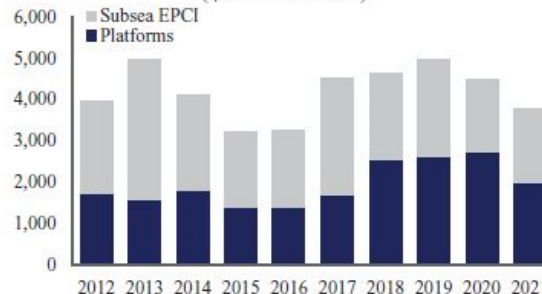
The nature of the MENA region, being primarily shallow-water operations, has partially insulated it from the full effect of the wider global downturn in the offshore drilling market, and according to the Westwood Global Energy Group Report, this region is expected to see significant levels of rig requirements through to 2021. This relative resilience is largely attributable to the presence of NOCs such as Saudi Aramco and ADNOC, who have continued to invest in the ongoing development of the region. Forecasts in the Westwood Global Energy Group Report indicate that further increases in demand are expected as jack-up demand trends upwards, underpinned by regional commitments to bolster production levels from existing offshore oil and gas fields.

Over the 2012 to 2016 period, approximately \$12 billion was spent on the development of oil and gas projects within the MENA region with multiple landmark projects likely giving a knock-on effect to the supporting offshore industry, specifically the construction support and offshore support sectors. Over the next five years, Westwood Global Energy Group expects a strong pipeline of projects to be sanctioned, contributing to a total regional spend of \$11 billion over the 2017–2021 period.

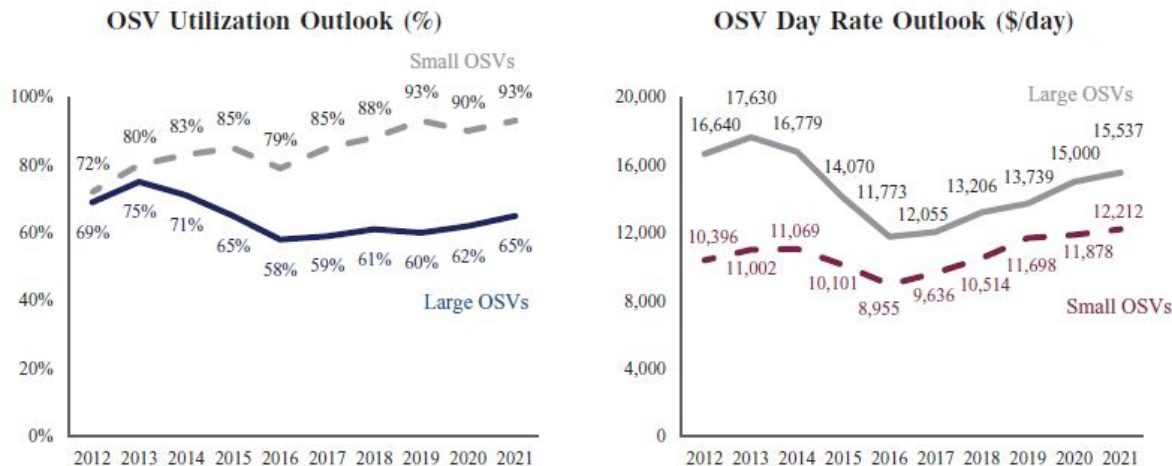
MENA Rig Demand by Type (No. of Rigs)



Offshore EPCI Expenditure by Segment (\$ in millions)



Over the next five years, gradually increasing demand in the MENA is anticipated to improve utilizations for smaller OSVs (estimated to increase from the current position of 79% to 88% in 2018) and set a floor for larger vessel classes (approximately 60%) as day rates look to trend upward according to the Westwood Global Energy Group Report.



The regional OSV market has continued to expand over the past five years, as other providers look to the relative stability of the region. The market is fragmented, with the top five players only accounting for approximately 20% of the regional operating fleet. The competitive landscape consists of international operators (e.g., Tidewater, Swire and Seacor) alongside multiple regional players with established in-region fleets. Topaz and other top-tier vessel operators hope to benefit from a considerably younger fleet with an average age of 9 years compared to the regional competitor average of 16 years, according to Westwood Global Energy Group.

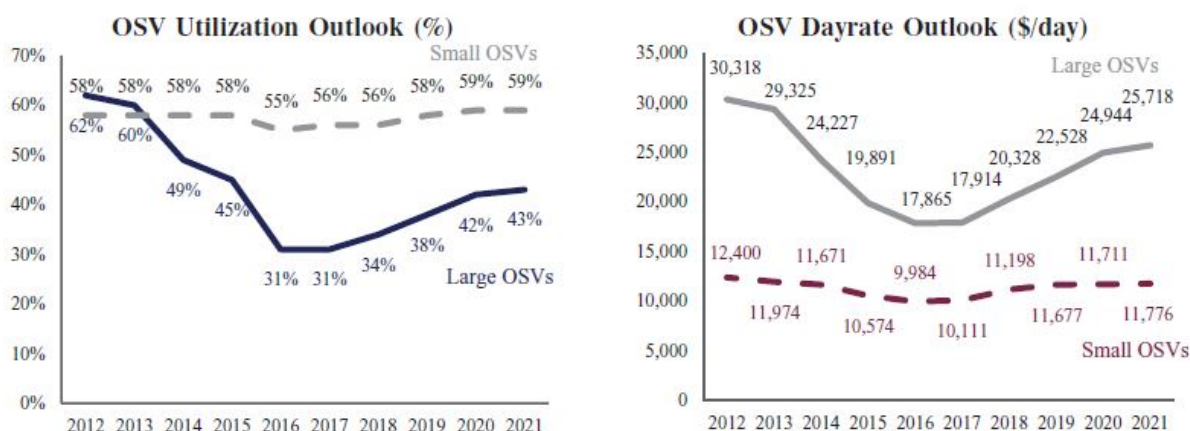
West Africa

West Africa is a major oil and gas province with current offshore production of 4.7 mboepd, of which the majority is oil. Output is highly concentrated from Nigeria and Angola, which accounts for 44% and 40% of regional supply, respectively. A focus on deepwater developments has led to a lack of investment during the downturn. However, there are a number of high profile deepwater projects currently planned for the next decade, including Egina and Kaombo. Natural gas is anticipated to account for an increasing proportion of regional output as LNG and pipeline infrastructure improves trade links with Europe and Asia.

In the recent period of oil price decline, West Africa may be one of the relatively hardest hit regions, in part due to its high proportion of relatively deepwater oil and gas developments. This has seen rig counts fall by over 50% during the 2014–2016 period. While the outlook appears to be stabilizing in 2017, the offshore drilling market remains challenging over the near term with only a modest recovery anticipated post-2019. Drilling activity is likely to remain concentrated in Nigeria and Angola with their combined share increasing from 80% historically to 87% of the regional total, according to Westwood Global Energy Group.

Offshore EPCI in the region is highly sporadic. Westwood Global Energy Group anticipates a consistent pipeline of projects to be developed with seven floating platforms and 193 subsea trees expected to be onstream, with an estimated regional spend of \$10.3 billion over the 2017–2021 period. However, as a result of limited sanctioning throughout the downturn, the outlook post-2019 remains more subdued, with EPCI-related expenditure anticipated to decline, according to Westwood Global Energy Group.

The West African OSV market is heavily concentrated in the key drilling regions of Nigeria and Angola, which accounted for 75% of total regional requirements. The market has a split of smaller OSVs (63%) and larger assets (37%). Following a drop in OSV demand by 18% from 2014 to 2016, Westwood Global Energy Group forecasts a year-on-year recovery with OSV demand having a CAGR of 4.2% over the next five years.



Smaller OSVs, with an increased exposure to EPCI and life-of-field operations, may benefit from more resilient conditions with utilization and day rates anticipated remain relatively flat over the forecast period.

The competitive landscape within West Africa is fragmented, but the top players hold a plurality position in the market with the top five providers accounting for 44% of the total fleet, although international operators such as Bourbon and Tidewater have also established a presence. The market may tighten over the near term as the fleet of Siem Offshore relocates to Latin America, coupled with the recent sale of ER Offshore's African operating vessels (E.R Aalesund and Stavanger) to a Caspian contractor following their work in Ghana and Ivory Coast.

Subsea Construction Vessel Outlook

The subsea construction market consists of the construction and installation of critical subsea infrastructure to successfully develop offshore oil and gas fields from the exploration and appraisal phase through to production. A diverse range of OSVs are critical, not only to the installation of the required infrastructure, but also to ensure optimal operating efficiency is maintained throughout the life of the field. The downturn across the oil and gas sector has focused operator attention to not only ensure that field development plans and infrastructure installation are optimized to improve field economics, but also that existing infrastructure is well maintained to optimize production, minimize downtime and reduce HSE risks associated with aging and wearing infrastructure.

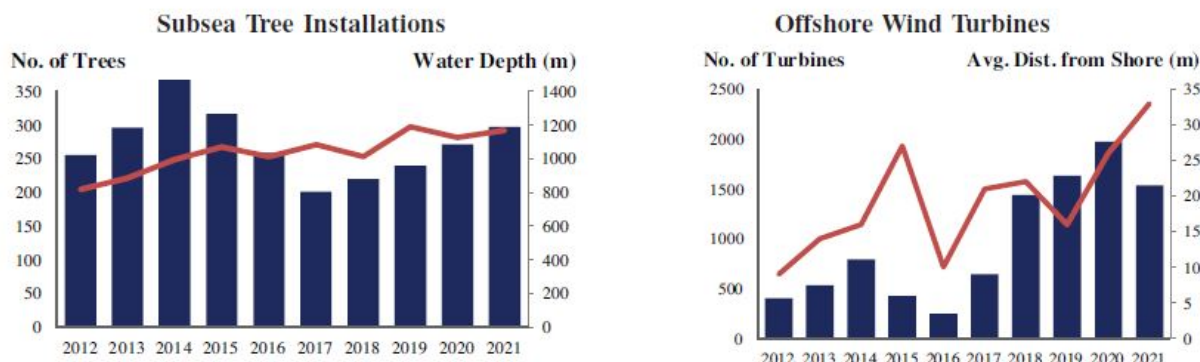
Subsea tree installations are largely seen as a key indicator of offshore activity and one of the primary drivers of demand for subsea construction vessels. Over 2015 and 2016, while the number of subsea tree installations declined year on year from a peak level in 2014 of 367, it was partly offset by accrued backlog during the 2013 and 2014 periods. However, with backlogs now depleting, Westwood Global Energy Group anticipate 201 tree installations in 2017 (a decrease of 45% of the volume experienced in 2014).

Post-2017, against a backdrop of improving industry conditions and the relative stability of Brent prices, it is estimated that subsea tree installations will increase at a CAGR of 10.3% between 2017 and 2021 as subsea tree installations are estimated to reach 297. Increased subsea tree installations, coupled with an increasing water depth of operations, continue to push the requirements for a younger and more technically sophisticated fleet of OSVs to support field construction.

Following the global downturn across the oil and gas industry in 2014, the offshore wind industry has provided an adjacent market to improve and sustain utilization levels across the OSV industry, particularly for subsea construction vessels. The offshore wind sector is expected to go through a period of unprecedented development with an estimated 7,200 turbines to be installed over the next five years (versus just 2,400 between 2012 and 2016). The increased activity (in terms of installation and the distance from shore of installations) will likely drive increasing demand for multiple OSV classes.

The outlook for subsea construction vessels is driven by offshore construction activity and also the requirement for IRM-related services. The downturn across the oil and gas sector led to reduced demand for Light Construction Vessels (LCVs) and ROVSVs between 2014 and 2016, falling by 21% and 35%, respectively. Coupled with a demand reduction, the respective markets have also been impacted by excess supply as speculative builds over the last five years have entered the global fleet. Looking forward, Westwood Global Energy Group forecasts a steadily improving market across LCVs and ROVSVs, demonstrating CAGRs of 5% and 9%, respectively, over the 2016–2021 period. Key growth markets for LCVs are driven by regions such as Asia and Australasia with respective CAGRs of 30% and 19% over the

2016–2021 period according to the Westwood Global Energy Group. ROVSVs benefit from a balanced exposure to subsea construction support as well as IRM, and is positioned for attractive growth in Africa, the Middle East and Eastern Europe and the FSU with CAGRs of 31%, 25% and 12%, respectively, over the 2016–2021 period according to the Westwood Global Energy Group.



Source: Westwood Global Energy Group Report, June 2017

Subsea Inspection, Repair and Maintenance (“IRM”)

IRM covers all activities relating to the support of existing subsea infrastructure including pipelines, platforms and production systems. Subsea IRM is typically carried out by divers and ROVs deployed from specialist offshore vessels. Driven by the growing population of subsea infrastructure, Subsea IRM expenditure grew from approximately \$4 billion to \$4.5 billion between 2012 and 2014. In 2015, spending fell sharply by 43% as E&P companies cut both levels of activity and pricing in an effort to cut costs in response to the global oil and gas downturn. Over the next five years, investment is expected to recover as operators start to return to “business as usual” and look to redeploy capital to support critical services, such as IRM. Looking forward, Westwood Global Energy Group estimates subsea IRM expenditure to increase from approximately \$2.8 billion in 2016 to \$4.2 billion by 2021, representing a CAGR of 8.2% as expenditure on the upkeep of critical subsea infrastructure remains paramount.

Regionally, Asia is the largest market for IRM services accounting for approximately 29% of annual investment in 2016, followed by North America (17%) and Africa (15%). Over the next five years Westwood Global Energy Group expects the sharpest recovery in the Eastern Europe and the FSU (including Caspian) market at a CAGR of 10.6% followed by the Middle East (9.7%), Australasia (9.2%), Asia (8.9%) and Africa (8.5%). More mature markets are expected to see slower recoveries with Western Europe, North America and Latin America expected to see five-year CAGRs of 4.6%, 7.0% and 7.8%, respectively.

The outlook for subsea IRM expenditure indicates a strong need for subsea construction vessels, along with other offshore support vessels, which are critical to support offshore IRM. While it is envisaged that the next twelve to 18 months will remain challenging, the medium-term outlook for the subsea construction vessel market remains positive with an increasing desire from operators and subsea contractors to utilize modern and younger vessels with technologically advanced systems (such as dynamic positioning) to support the overall offshore activity.

BUSINESS

Our Fleet

We operate a modern, technologically advanced and versatile fleet. As of March 31, 2017, our existing fleet comprised 97 OSVs. Our Anticipated Operating Fleet, including the 20 MCVs, the two Subsea vessels and one AHTSV under construction, consists of 120 vessels. The vessels in our Anticipated Operating Fleet have an average age of 7.4 years. Under our contract for the TCO Future Growth Project, we are constructing 20 MCVs, of which 17 will be owned by us and three will be managed by us. Additionally, two MPSVs and one AHTSV are also under construction. See “—Vessel Ownership and Operation.”

Our existing fleet, as of March 31, 2017, which does not include the 23 vessels under construction, was valued by a third-party independent valuation expert on February 14, 2017 at a median valuation of approximately \$696.5 million. The estimated net book value of our currently owned core assets is \$447 million for our AHTSVs, \$325 million for our PSVs, \$130 million for our MPSVs and \$53 million for our ERRVs, and the estimated net book value of our other currently owned vessels is approximately \$108 million. As part of the TCO Future Growth Project, we will be adding approximately \$325 million of vessels (of construction cost) to our fleet, fully funded by TCO as described herein. Furthermore, we expect to add another \$132.5 million of vessels (at construction cost) by way of our two MPSVs and one AHTSV under construction.

Services Provided by Our Existing Fleet

The versatility of our existing fleet enables us to provide services to clients engaged in the exploration, development and production phases of the upstream offshore oil and gas industry as well as other industries. However, we have historically focused, and expect to continue to focus, on the development and production phases, because these typically provide greater stability and certainty as to future revenue. The development phase of a field lasts typically two to five years, whereas the production phase of a field may last several decades. The earliest phase, exploration, is the shortest.

These phases of the upstream offshore oil and gas industry often overlap within regions and within individual hydrocarbon fields. Individual vessels within our existing fleet are in many cases able to provide services in relation to more than one of these phases and, as a result of this versatility, we are able to provide a stable and consistent OSV service to clients in relation to oil and gas projects as they move through the phases described above.

In connection with the TCO Future Growth Project, we will build 20 MCVs (of which 17 will be owned and operated by us, and three will be managed by us) which are scheduled to transport more than 270 modules from the Baltic Sea and the Black Sea through the RIWS into the Caspian Sea. We will, furthermore, manage three wider vessels in the Kazakhstan part of the Caspian Sea on behalf of NMSC “Kazmortransflot” (“**KMTF**”). As of March 31, 2017, we have commenced construction on all 20 vessels and we expect delivery of the vessels from the Vard shipyards during the second half of 2017 and the first half of 2018. Our MCVs under the TCO Future Growth Project are expected to commence operations in the second quarter of 2018.

Geographical Distribution of Our Existing Fleet

The tables below show the breakdown of our existing fleet by geography and by type as of March 31, 2017:

Breakdown by Geography		Breakdown by Type	
Region	Vessels ⁽¹⁾⁽²⁾	Type	Vessels ⁽¹⁾⁽³⁾
Caspian:		AHTSV	29
Azerbaijan.....	25	PSV	17
Kazakhstan.....	22	MPSV	10
Russia.....	13	ERRV	4
Turkmenistan.	2	Others ⁽²⁾	37
Total Caspian	62	Total.....	97
MENA and Subsea:			
Saudi Arabia ..	6		
UAE	5		
Qatar	4		
Mediterranean	1		
Laid up	8		
Subtotal			
MENA	24		
Subsea	3		
Total MENA and Subsea	27		
Africa:			
Nigeria	3		
Angola.....	1		
Ghana.....	1		
Namibia	1		
Laid up	2		
Total Africa ..	8		
Total existing fleet	97		

(1) The tables above do not include the 20 MCVs for the TCO Future Growth Project, of which 17 will be owned and three will be managed by us, nor two MPSVs and one AHTSV under construction.

(2) Includes barges, crew boats and subsea vessels.

(3) As of March 31, 2017, a total of ten vessels were laid up which are included in the table above.

Vessel Ownership and Operation

Of the 97 OSV vessels in our existing fleet as of March 31, 2017, 77 vessels were wholly owned by us and 20 vessels were owned together with Transmarine, our asset joint venture partner. In addition, 23 vessels are currently under construction: two MPSVs, one AHTSV, and in connection with the TCO Future Growth Project, 17 new MCVs, which will be owned and operated by us, and three wider vessels operated by us on behalf of KMTF. The construction costs of the MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company's balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel. Each of the 17 MCVs will be subject to a mortgage in favor of TCO until the advances have been repaid by us.

Our subsidiaries that own vessels, including joint ventures, are special purpose companies set up solely for this purpose. Typically, vessels owned by our special purpose vehicles (whether a wholly owned subsidiary or a joint venture) are leased to another of our wholly owned subsidiaries, as lessees under a bareboat charter. Bareboat charters are charters for the provision of a vessel, but not crews or provisions. Under the terms of the bareboat charter, the primary responsibility for the vessel is passed to the subsidiary lessee, which operates the vessel for charter to clients, including the provision of crews. None of our joint ventures or any of our partners in those joint ventures operates any vessel within our existing fleet.

Capabilities of Our Anticipated Operating Fleet

Vessels in our Anticipated Operating Fleet are in many cases able to move between, and to operate in, a number of regions, although transporting vessels in and out of the Caspian Sea region can take time and involve significant costs (for further details, see “—Operating Segments—Topaz Marine Caspian”).

Our 17 owned MCVs will be capable of operating on various river systems, but have primarily been constructed to maneuver with heavy cargo on the Russian Inland Waterway System (“RIWS”).

Growth of Our Anticipated Operating Fleet

Since 2010, our existing fleet has grown from 88 vessels to 97 vessels as of March 31, 2017, with an additional 23 vessels currently under construction, of which 20 will be owned and three will be managed by us. These include one new AHTSV which is expected to be phased in during 2018 and two new MPSVs (Topaz Tangaroa and Topaz Tiamat).

Historically, we have been able to take advantage of opportunities to acquire vessels from OSV operators and shipyards in distressed situations, which have, in some circumstances, allowed for vessel procurement at a discount to market rates and with shorter delivery lead times. The oil and gas industry has been impacted in recent years by lower vessel utilization and market rates, which has resulted in some bankruptcies and closures. As a consequence, there is an opportunity for surviving players to acquire additional tonnage capacity, absorb competitors and negotiate new builds at reduced prices. From time to time, we cautiously evaluate our opportunities in the oil and gas industry to consolidate or acquire other assets. Our approach is to evaluate such opportunities for potential value creation. We use strict criteria for our decision-making process, including evaluating the potential impact on our business of financial returns, risk and culture.

Backlog

As of March 31, 2017, our backlog under our fixed-term contracts was \$1,152 million and our backlog assuming the exercise of all client extension options totaled \$320 million, together totaling \$1,472 million.

The tables below set forth our historical backlog and our backlog for the remainder of 2017 and as of and for the years ended December 31, 2018, 2019, 2020, 2021 and 2022 and thereafter, forecasted as of March 31, 2017:

	As of December 31,					As of March 31, 2017
	2012	2013	2014	2015	2016	
	(\$ in millions)					
Historical backlog:						
Fixed-term contract	—	614	468	298	1,184	1,152
Client extension options	—	554	517	406	296	319
Total backlog	941	1,168	985	704	1,480	1,472

	2017	2018	2019	2020	2021	2022 and thereafter
	(\$ in millions)					
Backlog forecast:						
Fixed-term contracts	150	284	331	311	72	3
Client extension options	8	20	23	17	107	145
Total backlog	159	304	354	328	179	148

As of March 31, 2017, certain key customers that comprised a substantial percentage of our backlog included BP (47% with fixed-term contracts expiring in February 2021), TCO (37% with fixed-term contracts for the 17 MCVs expiring after 1,095 days from the date of the commencement of the operation of each vessel and fixed-term contracts with KMTF for the three wider MCVs expiring after 850 days from the date of the commencement of the operation of each vessel), Saudi Aramco (5% with fixed-term contracts expiring in July 2018 and July 2019) and Eni (4% with fixed-term contracts expiring in September 2017). The amount of the backlog is not necessarily indicative of our future revenue or earnings. Although backlog as a measure reflects business that is considered by us to be firm, cancellations, non-exercise of options or scope adjustments have occurred in the past and may occur again. Our backlog from 2013 to 2014 decreased primarily as a result of certain of our contracts reaching the end of their fixed terms without being

extended by our clients and an early termination for convenience on one of our vessels for which we received an early termination fee. See “*Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results.*”

Our backlog from 2014 to 2015 decreased primarily as a result of certain of our contracts reaching the end of their fixed terms without being extended by our clients as well as the renegotiation of two contracts in Kazakhstan, which resulted in the early termination of these contracts in exchange for the waiver by the client of the purchase option related to the vessels covered by the contracts. We believe the commercial and financial benefits of the waiver by the client of the purchase option related to our vessels outweighed the lost revenue from the terminated charters. For further information on our backlog, see “*Presentation of Financial and Other Information—Operational Data—Backlog*” and “*Risk Factors—Risks Related to Our Business and Industry—A number of events may impact our ability to realize our backlog, and backlog may not be an accurate indicator of our future results.*”

Average Utilization

Our mixture of long-term, medium-term and short-term contracts for our fleet of 120 vessels (including 23 vessels currently under construction) is key to our average utilization rates, which is a measure of the extent to which our vessels are actively employed by or for our clients.

The table below provides the overall average utilization rates and day rates for the years ended December 31, 2014, 2015 and 2016 and for the twelve months ended March 31, 2017.

	Year ended December 31,			Twelve months ended March 31, 2017
	2014	2015	2016	
Average core asset* utilization rate for the period.....	86.7%	83.8%	73.1%	68.3%
Average fleet utilization rate for the period:				
Caspian region core	90.9%	95.9%	87.7%	85.1%
Caspian—Azerbaijan core	90.8%	95.9%	97.0%	96.3%
Caspian—Others core	91.8%	96.6%	50.1%	41.4%
MENA core.....	90.7%	86.8%	61.7%	55.6%
Africa core	61.9%	43.9%	47.0%	39.2%
Average core fleet utilization rate ⁽¹⁾	86.7%	83.2%	73.1%	68.3%
Average core fleet day rate for the period ⁽²⁾ (in \$)	19,388	18,472	17,042	16,683

(1) Our core assets include AHTSVs, PSVs, MPSVs and ERRVs. The average existing fleet utilization rates for the Caspian region and MENA for the year ended December 31, 2012 were 96% and 92%, respectively. The average existing fleet utilization rates for the Caspian region, MENA, Subsea and Africa for the year ended December 31, 2013 were 98%, 92%, 92% and 75%, respectively.

(2) The average day rate for a vessel in a given period is, for the purposes of this Corporate Presentation, calculated as the total revenue generated by that vessel in that period, divided by the number of days on which that vessel was deployed during that period (whether under one or more contracts and/or for one or more clients). The average existing fleet day rate is the average weighted average day rates for all of our vessels for the period. The average existing fleet day rates for the year ended December 31, 2013 was \$15,878.

The average utilization rate of an OSV vessel in a given period is calculated retrospectively by reference to the number of days in that period the vessel was deployed as a percentage of days in the period on which the vessel was available for deployment, being 365 days less days required for dry-docking. The average existing fleet utilization rate is the average utilization rates for all of our OSV vessels weighted by the average number of days our OSV vessels were deployed during the period. The changes in utilization are a result of general difficulties in the market conditions, especially in the MENA and Africa regions. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting Our Results of Operations—Average Utilization and Day Rates.*” Each of the new MCVs has been contracted at a fixed day rate with TCO for a firm period of three years with options for extensions.

A breakdown by the region in which the vessels were deployed as of March 31, 2017 (or, in the case of vessels under construction or contract for delivery as of March 31, 2017, the region in which we expect them to be deployed initially) is set forth in the table below:

Type of Vessel	Caspian ⁽¹⁾			MENA			Subsea			Africa		
	Current ly operati ng in fleet	Under constructi on/ contract for delivery	Tot al	Current ly operati ng in fleet	Under constructi on/ contract for delivery	Tot al	Current ly operati ng in fleet	Under constructi on/ contract for delivery	Tot al	Current ly operati ng in fleet	Under constructi on/ contract for delivery	Tot al
AHTSV.....	14	—	14	15	1	16	—	—	—	—	—	30
PSV.....	8	—	8	2	—	2	—	—	—	7	—	17
MPSV.....	1	—	1	6	—	6	3	2	5	—	—	12
ERRV.....	3	—	3	1	—	1	—	—	—	—	—	4
Others.....	36	—	36	—	—	—	—	—	—	1	—	37
MCVs.....	—	20 ⁽²⁾	20	—	—	—	—	—	—	—	—	20
Total.....	62	20	82	24	1	25	3	2	5	8	—	120

(1) Includes the vessels currently under construction in connection with the TCO Future Growth Project.

(2) As part of the TCO Future Growth Project, 20 MCVs are currently under construction of which 17 will be owned by us and three will be managed by us, which will become a part of Topaz Solutions.

Operating Environments

Our vessels primarily operate in “shallow water,” meaning water at a depth of less than 300 meters and “medium water” meaning water at a depth of 300 meters to 1,000 meters, as opposed to “deepwater,” meaning water at a depth of more than 1,000 meters. These environments present differing challenges and not all of our fleet of 120 vessels (including 23 vessels currently under construction) can operate in deepwater. For example, we are limited to deploying small vessels and barges in shallow-water environments. The operating environments in the MENA region and our subsea operations and the Kazakh and Russian sectors of the Caspian Sea, including the Tengiz oil field, are predominantly shallow water, while the Azerbaijani sector of the Caspian Sea and certain of the locations we consider to be growth areas for our operations, such as Africa, are predominantly medium to deep water. We believe that the balance of our fleet of 120 vessels (including 23 vessels currently under construction) is versatile enough to allow us to operate successfully in each of these operating environments.

In addition, operating in the Caspian Sea presents challenges distinct from the differences presented by water depth. Our long-running operational presence in the Caspian Sea has provided us with extensive experience in operating in this challenging environment. OSVs can only access the Caspian Sea via the RIWS, namely the Lenin Volga–Don Shipping Canal and the Volga–Baltic Waterway. In order to pass through these systems, vessels often require significant modification, which can include the removal of the mast, the wheelhouse (the ship’s command room) or certain of the vessel’s decks, and then reassembly of the ship once it has reached the Caspian Sea. Such modification and reassembly can take from one to four months, depending on the degree of modification, and can cost up to \$5 million for one-way modification. Pursuant to the terms of our contracts in the Caspian Sea, such costs are borne by the client. Additionally, the RIWS freezes annually for approximately six months, rendering the Caspian Sea virtually inaccessible to OSVs for half of the year. These logistical challenges specific to the Caspian Sea environment make entry into the market challenging, providing us with a strong competitive advantage because we already have several modern vessels able to service our clients’ needs located in the Caspian region. The addition of the MCVs to our existing fleet will further strengthen this competitive advantage given that the MCVs are specifically designed for the logistical challenges of entering the Caspian Sea via the RIWS. Furthermore, the size of our existing fleet in the Caspian Sea affords us economies of scale by leveraging our cost base which is difficult for a new entrant to replicate.

Maintenance and Upgrades

We focus on maintaining our fleet to internationally certified standards with considerable management and financial resources devoted to this important workstream.

All of our vessels sail under internationally recognized flags and are class certified by internationally recognized classification societies. The class certification process involves inspections every two to five years by an independent third-party inspector. In addition, with respect to newly constructed vessels, a representative is present at the shipyard to perform ongoing inspections on our behalf. Newly constructed vessels are also subject to inspections by third-party surveyors and must obtain flag and class certifications prior to deployment.

Since 2006, we have invested considerable capital to upgrade our Anticipated Owned Fleet and tailor our OSV specifications to better meet client demands. This has involved equipment purchases and upgrades, such as larger and more powerful cranes and dynamic positioning-2 (DP2) capabilities which we believe further differentiate our existing fleet from our competition and allow our OSVs to offer more value-added services to clients. We aim to standardize the equipment on our OSVs within each asset class across our fleet of 120 vessels (including 23 vessels under construction) in order to increase the speed and cost-effectiveness of the maintenance and repair work on our OSVs. An example of this is the use of Caterpillar main and auxiliary engines among 14 AHTSV sister vessels. This has enabled us to reduce the total stock of spare parts by sharing critical and consumable spares between two strategic bases in Saudi Arabia and in Qatar, instead of each vessel maintaining its own stock on board.

From time to time, we have “laid up” certain of our vessels, which means we have temporarily decommissioned vessels when rates are not sufficient to cover the costs of operating such vessels. During the year ended December 31, 2016, we laid up, on a temporary basis, ten vessels in the Middle East and two vessels in Africa, as a result of the lack of demand. As of March 31, 2017, ten of our vessels were laid up.

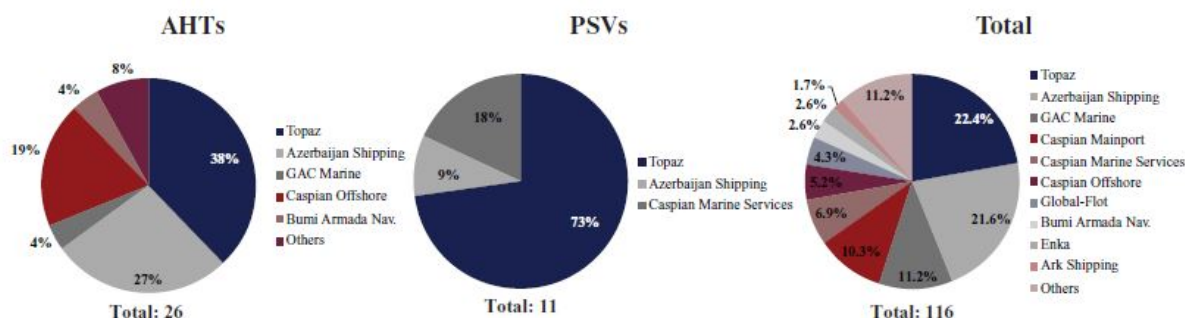
Operating Segments

Our operations are conducted under four operating divisions: Topaz Marine Caspian, Topaz Marine MENA and Subsea, Topaz Marine Africa and Topaz Solutions.

Topaz Marine Caspian

Topaz Marine Caspian principally operates across two business units, Topaz Marine Azerbaijan (which also oversees our operations in Turkmenistan and the Russian sector of the Caspian Sea) and Topaz Marine Kazakhstan, which are managed from Baku, Azerbaijan and Aktau, Kazakhstan, respectively. As of March 31, 2017, our Caspian region existing fleet consisted of 62 vessels, or 53.1% of our total fleet of 120 vessels (including 23 vessels currently under construction), including 14 AHTSVs, eight PSVs, one MPSVs and three ERRVs. We believe that Topaz Marine Caspian is a leading player in the Caspian Sea. The market features seven competitors in AHTs and two competitors in PSVs. The E&P landscape in the Caspian region is relatively consolidated between one or two major players in each country. According to the Westwood Global Energy Group Report, Azerbaijan is expected to continue to be the largest market in the Caspian Sea, accounting for approximately 43% of OSV demands in the Caspian Sea. We operate eight out of eleven PSV and ten out of 26 AHTS vessels (based on size greater than 8,000 bhp) currently operating in the Caspian Sea.

Competitive Dynamics in Caspian Sea—Topaz is a Leading Player



Source: Westwood Global Energy Group Report

* References to “Others” include eleven other operators, such as Caspian Services, Southern Oil, the State Oil Company of the Azerbaijan Republic (“SOCAR”) and Swire, etc.

We have a leading market position in the Caspian Sea (approximately 50% of market share by revenue as of December 31, 2017).

The average age of Topaz Marine Caspian's existing fleet, was 9.7 years as of March 31, 2017, compared with an average age of 17 years for all OSVs operating in the Caspian region according to the Westwood Global Energy Group Report. For further details, see "*Our Fleet*."

Our long-established presence in the Caspian Sea and our experience in operating in its unique geography enabled us to successfully enter the Russian sector of the Caspian Sea in March 2013 through securing multi-year charters with Saipem with the redeployment of our idle vessels in Turkmenistan. We currently deploy nine vessels in the Russian sector of the Caspian Sea. In addition, we maintain a strong client relationship with BP in Azerbaijan, providing us an important competitive advantage in the Azerbaijani sector of the Caspian Sea.

The unique operating circumstances faced by vessel operators as a result of geographical conditions and the high mobilization and demobilization costs associated with contracting vessels in the region have resulted in high costs to entry as well as cost advantages for established OSV operators, and therefore, our contracts in the Caspian Sea tend to be three- to five-year contracts.

In the twelve months ended March 31, 2017, our Caspian Sea operations generated revenue of \$200.4 million (76.3% of our revenue) and EBITDA of \$132.8 million (97.3% of our EBITDA).

Topaz Marine MENA and Subsea

In 2016 we merged our MENA and Subsea operations to reduce overhead cost. Topaz Marine MENA and Subsea is managed from Dubai, UAE and its fleet operates primarily in the Arabian Gulf, with facilities in the Jebel Ali port in Dubai, UAE, Al Khobar, Saudi Arabia and Doha, Qatar.

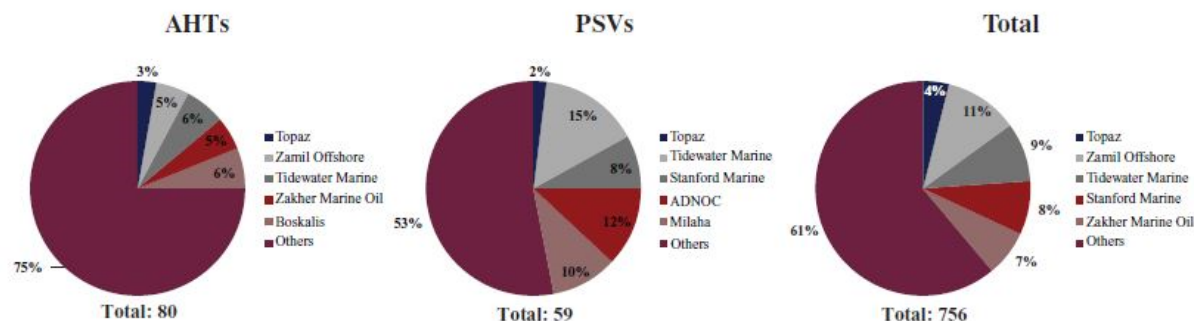
The average age of our MENA and Subsea existing fleet, excluding vessels currently under construction or contract for delivery, was 9.7 years as of March 31, 2017, compared with an average age of 16.0 years for all OSVs operating in the Middle East, according to the Westwood Global Energy Group Report. For further details, see "*Our Fleet*."

Our current fleet of three subsea vessels allows us to provide our clients with a diverse scope of services, including subsea jumper and spool installations, and inspection, repair and maintenance ("**IRM**") solutions as well as subsea cable installation services. We have two subsea vessels under construction that will enhance our capabilities in more challenging environments.

In the twelve months ended March 31, 2017, our MENA and Subsea operations generated revenue of \$52.5 million (20.0% of our revenue) and EBITDA of \$8.6 million (6.3% of our EBITDA).

The MENA market is fragmented, with the five major participants controlling approximately 20% of the regional operating fleet. The competitive landscape consists of international operators alongside multiple regional players with an established in-region fleet. The remaining competitive landscape comprises an estimated 200 players with fleet sizes of fewer than 15 vessels. As of March 31, 2017, our existing MENA fleet consisted of 24 vessels, or 20% of our total fleet of 120 vessels (including 23 vessels currently under construction), including 15 AHTSVs, six MPSVs, two PSVs and one ERRV in addition to one vessel under construction. As of March 31, 2017, our existing subsea fleet consisted of five vessels, or approximately 4.1% of our total fleet of 120 vessels (including 23 vessels currently under construction), including two vessels under construction and three MPSVs.

Competitive Dynamics in MENA and Subsea



Source: Westwood Global Energy Group Report

* References to “Others” include over 200 other operators, such as Bourbon, Seacor Holdings, Pacific Global, etc.

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

Topaz Marine Africa

Topaz Marine Africa is managed from Dubai and operates vessels primarily in Nigeria and Angola.

As of March 31, 2017, our existing Africa fleet consisted of eight vessels, including seven PSVs, which represents approximately 6% of our total fleet of 120 vessels (including 23 vessels currently under construction). The Anticipated Fleet Average Age of our Africa fleet, was 3.6 years as of March 31, 2017, compared with an average age of 12.2 years for all OSVs operating globally, according to the Westwood Global Energy Group Report. Our vessels are typically deployed under short-term charter contracts.

Our contracts in our Africa operations tend to be a mix of short-term (one month to a year) and medium-term (one to three years) contracts. Short-term fluctuations in day rates across different geographic regions create opportunities in bidding for business in growth markets and therefore we deploy a mix of high-end specialized vessels and modern AHTSVs in an agile but disciplined fashion with a focus on pursuing opportunities with a high rate of return on assets.

In the twelve months ended March 31, 2017, our Africa operations generated revenue of \$9.6 million (3.7% of our revenue) and EBITDA of \$(4.8) million ((3.6)% of our EBITDA).

Topaz Solutions

Topaz Solutions was established in May 2016 and manages all financial and operational activities in relation to our contract with TCO and the TCO Future Growth Project. Topaz Solutions principally focuses on the transportation of modular units to be installed on the Tengiz oil field in western Kazakhstan and by definition is a distinct business unit from the remaining three divisions. Under the contract, we will design, build, mobilize and operate 17 new MCVs for operation in the RIWS that will each have the capacity to carry up to 1,800 tons of cargo. Further, we will operate three additional vessels owned by KMTF for operation in the Caspian region. As of March 31, 2017, all 20 vessels were under construction. Our contract with TCO is estimated to be worth approximately \$550 million in revenue over three years and is estimated to have a significant positive impact on our revenue and EBITDA from the second quarter of 2018 and a more limited positive impact on our cash flow. Topaz Solutions is managed from Dubai, UAE during the construction phase of the MCVs, but the headquarters will be moved to Astrakhan, Russia prior to the commencement of the operation of the MCVs. The MCVs will be owned by us through our subsidiary, BUE Bulkors Limited, and will be operated by our Russian subsidiary, Topaz Astrakhan LLC.

Topaz Solutions’s client is TCO, a Kazakhstani partnership that explores, develops, produces and markets crude oil, LPG, dry gas and sulfur. In April 1993, TCO was formed between the Republic of Kazakhstan and Chevron Corporation. TCO’s current partners are Chevron Overseas Company (50% ownership), ExxonMobil Kazakhstan Ventures Inc. (25% ownership), KazMunayGas NC JSC (20% ownership) and LUKARCO B.V. (5% ownership).

We are evaluating our options for our vessels after the completion of the TCO Future Growth Project, including opportunities for continued operations in the Russian river systems.

Partners and Joint Ventures

We regularly enter into joint ventures and strategic alliances with partners. Typically, we enter into joint venture partnerships either due to the partner's knowledge of the local market or for the joint investment into assets, or a combination of these two. We believe that such arrangements are important to our efforts to improve our understanding of local markets and increase the number of local nationals we employ, help finance capital expenditures, and strengthen and maintain our relationships with clients and regulatory authorities.

In joint venture partnerships where joint investments in vessels are being made, these have typically been structured so that the joint venture subsidiary owns the vessels. One of our wholly owned subsidiaries (the operating company), enters into a bareboat charter with the vessel-owning joint ventures and, further to such bareboat charter, makes the vessels available to the clients under specific time charters. After meeting the operating expenses and debt financing requirements associated with the vessels in the joint venture arrangements and the payment of a management fee to the operating company, the remaining free cash is available for distribution to us and our partner through dividends (in proportion to equity ownership or for reinvestment).

In joint venture partnerships where no joint equity investment is being made into vessels but where the partner's contribution is by way of local market and client knowledge, the partner is normally compensated by way of a commission of revenue generated in the specific market.

Since March 31, 2017, our joint venture entities have paid approximately \$7.2 million in dividends to our joint venture partners and us on a pro rata basis.

Topaz Marine Caspian

As of March 31, 2017, all of the vessels in our existing fleet in Azerbaijan were owned by joint ventures with Trans Marine United Shipping Limited ("**Transmarine**"). The joint ventures are documented by way of joint venture agreements. We have management and operational control over each such company under the joint venture agreements and each such company's constitutional documents. The joint venture agreements regulate certain matters regarding the relationship between the shareholders, the St. Vincent and the Grenadines companies in which they share 50/50 ownership and how the parties to the agreements will conduct their business. Through multiple deeds of adherence, the joint venture agreement governs their holdings in 20 companies, holding 20 vessels.

We are entitled to appoint three directors to the board of each joint venture, while Transmarine holds the right to appoint two directors. Decisions of the board of each such company are made on a majority basis, with the exception of a limited number of matters that require the prior unanimous consent of both us and Transmarine before they can be undertaken; these include, for example, undertaking business not contemplated under the joint venture agreement, the disposal of vessels other than pursuant to specified bank facility agreements, the incurrence of any indebtedness other than pursuant to specified bank facility agreements, the creation of any pledge or lien other than pursuant to specified bank facility agreements or the merger or winding-down of the joint venture.

We and Transmarine respectively have each provided 50% of the equity financing of each relevant vessel and are entitled to receive 50% of the net assets and 50% of the net profits paid by each such company to its shareholders after the payment of operating and other commercial costs and the repayment of debt. Additionally, through a wholly owned operating entity, we receive a fee for the management of each relevant joint venture vessel ranging between 6% to 8% of the revenue generated by the joint venture entity. Under the terms of the financing agreements related to the joint ventures, we guarantee 100% of the debt incurred by each joint venture.

In the twelve months ended March 31, 2017, our joint venture entities generated \$100.2 million of revenue and had \$295 million of debt outstanding.

As of March 31, 2017, 20 vessels owned by joint ventures with Transmarine were operated under bareboat charters (as part of our existing fleet).

Each of the joint venture agreements provides for certain circumstances in which an event of default can occur in respect of a shareholder and that shareholder shall be required to sell its shares in the joint venture entity, in accordance with the procedure set forth in the joint venture agreement. Such events of default include standard insolvency-related events of default as well as change of control events of default.

In addition, since 2002, our subsidiary BUE Marine and Caspian Shipping Company, the vessel-owning division of SOCAR, have partnered together to provide offshore support services in Azerbaijan and other segments of the Caspian Sea. Caspian Shipping Company promotes our operations in Azerbaijan, assists with our liaison with local government

and regulatory authorities, helps us in meeting client expectations regarding local participation and provides us with access to its pool of local crew and shore staff, which facilitates our compliance with workforce localization requirements, and we pay them a fee in connection with the provision of these services. Both Caspian Shipping Company and Topaz Marine Azerbaijan have historically contributed vessels to this alliance, together with specialized personnel and technical expertise.

The original term of the alliance agreement is five years and can be extended by mutual agreement of the parties or is automatically extended if and up to the expiration of any vessel charter agreements. A short addendum to the alliance agreement covering the provision for a local Azeri crew for a particular vessel is normally signed on the first entry of a new vessel to the Topaz Marine Azerbaijan existing fleet on its arrival in Azerbaijan. Accordingly, the current term of the alliance agreement will expire either on the exit of the last of these vessels, or any future vessels, from Azerbaijan, or on another mutually agreed date.

We believe that our partnership with Transmarine and our historical relationship with Caspian Shipping Company, coupled with our strong client relationship with BP in Azerbaijan, give us an important competitive advantage in Azerbaijan. For further information regarding the potential risks of working with local partners, see *“Risk Factors—Risks Related to Our Business and Industry—We rely on local partners and third-party suppliers in the operation of our business”* and *“Risk Factors—Risks Related to Our Business and Industry—We may be adversely affected by risks associated with our joint venture arrangements.”*

Topaz Marine Africa

Topaz Marine Limited and Cutra International Ltd. (“**Cutra**”) entered into a shareholder agreement and a business development agreement on December 27, 2013 following their incorporation of the joint venture Topaz Marine Nig Ltd (“**Topaz Marine Nigeria**”). For additional information, see *“—Legal Proceedings—Cutra International Limited Joint Venture.”*

Clients

Our client base includes many of the world’s largest and most technologically advanced oil and gas exploration and production companies, including IOCs such as BP and Total; NOCs such as Saudi Aramco and Petronas; and offshore service companies of international standing, including McDermott, contracting either on their own behalf or on behalf of consortia of energy companies. For the twelve months ended March 31, 2017, our top ten clients accounted for 84% of our revenue. In addition, as of March 31, 2017, our top ten clients accounted for 61% of our backlog.

The chart below shows the length of relationship with and percentage of revenue that each of our top ten clients accounted for in the twelve months ended March 31, 2017.

Top 10 Clients by Revenue						
Twelve Months Ended March 31, 2017	Revenues (\$ in thousands)	No. of Years of Relationship	% of Total Revenue	IOC	NOC	Offshore Contractors
AIOC/BP ⁽¹⁾	114,810	15	44%	✓		
Saipem	43,744	15	17%			✓
Agip	18,835	15	7%	✓		
Saudi Aramco	15,086	6	6%		✓	
ABB	10,647	7	4%			✓
UTM Dredging	4,959	3	2%			✓
Oxy	4,306	13	2%	✓		
DPE	2,969	10	1%		✓	
BOA Marine	2,653	6	1%			✓
ILK	1,685	7	1%			✓

(1) AIOC and BP are considered to be one revenue stream due to their joint operations. AIOC is a consortium of IOCs that includes BP, ExxonMobil, Chevron and Statoil and also includes SOCAR.

We benefit from repeat business from several of our key clients. Our repeat clients include AIOC/BP, Total and Agip, among others. AIOC/BP and Agip have been in our top clients on a consistent basis during each of the years ended December 31, 2014, 2015 and 2016 and during the three months ended March 31, 2017. Our management and commercial teams continually work to build client relationships by initiating dialogue with prospective clients and maintaining an active dialogue with our existing clients to ensure that we are up to date with their requirements, particularly regarding future business opportunities, health and safety, and trends in the industry, including regarding OSV specifications.

Topaz Marine Caspian

Client concentration has historically been high in the Caspian region as a result of governments in this region granting concessions to major oil and gas industry participants, who often act on behalf of consortia. For example, in the twelve months ended March 31, 2017, 44% of our revenue was generated from contracts with AIOC/BP, whose presence in Azerbaijan is principally as a result of its role as the primary operator on behalf of the ACG and Shah Deniz consortia.

Our relationships with key operators in Azerbaijan, such as AIOC/BP, span more than ten years, and as a result we have a strong track record of contract renewal with no large OSVs removed from the Caspian region in the last ten years. Our relationship with Agip in Kazakhstan spans over ten years.

On February 19, 2016, BUE Caspian Limited, an affiliate of the Company, entered into a five-year charter agreement to supply 14 offshore support vessels to BP Exploration (Caspian Sea) Limited in Azerbaijan. For additional information, see “—Contracts—BP 2020 Vessel Charter Agreements.”

Other clients of Topaz Marine Caspian include Chevron, Dragon Oil, Ersai, NCOC, Saipem and TOTAL. In the twelve months ended March 31, 2017, 24% of our revenue was generated from contracts with Agip KCO and Saipem.

Topaz Marine MENA and Subsea

In the MENA region and our subsea operations, our client concentration is lower than in the Caspian region. Topaz Marine MENA and Subsea’s top three clients by revenue for the twelve months ended March 31, 2017 were Saudi Aramco, Occidental Petroleum and Maersk Oil Qatar, representing \$22.3 million, or 43%, of MENA and Subsea revenue, and 9% of our Group revenue, for the twelve months ended March 31, 2017. Other clients of Topaz Marine MENA and Subsea include ADMA-OPCO, NPCC, Saipem, McDermott, Dubai Petroleum, TOTAL and North Oil Company. In our subsea operations, we also work with ABB, Saipem, McDermott, Fugro and Technip.

Topaz Marine Africa

Topaz Marine Africa’s top three clients by revenue for the twelve months ended March 31, 2017 were UTM Dredging Limited, Heerema Marine Contractors and Cepsadeen Nigeria Limited, representing \$7.6 million, or 80%, of Africa revenue, and 3% of Group revenue, for the twelve months ended March 31, 2017. Other clients of Topaz Marine Africa include Technip, Saipem, Subsea 7 and Heerema.

Topaz Solutions

Our client in Solutions is TCO, with whom we secured a contract to design, build, mobilize and operate 17 new MCVs in the RIWS. As part of this agreement, we will also operate three wider vessels in the Caspian Sea region on behalf of KMTF. The vessels will commence work in the second quarter of 2018 for a minimum contract period of three years. Our contract with TCO is valued at approximately \$550 million (based on expected revenue) over three years.

Contracts

We supply and operate vessels for clients in return for day rates, in addition to other fees, under the terms of time charter contracts that are either “short-term” (for terms of between one month and one year), “medium-term” (for terms of one to three years) or “long-term” (for terms of more than three years).

Our short-term contracts, which include arrangements made in the spot market in some regions, enable us to take advantage of short-term increases in OSV day rates. Our contracts for the Caspian region are typically long-term, while in the MENA and Subsea and Africa regions we have a greater proportion of contracts with short- or medium-term tenors. Because certain of our contracts have lengthy durations, we use backlog to forecast our future cash flow. We also make use of the metrics “average utilization rate” and “average day rate” to understand how our OSV vessels are being used and the revenue they are generating. The terms of our contracts vary based on whether the client is an NOC or IOC, or an offshore services company. The following is a discussion of our contracts, the key terms of our main contracts as well as our average utilization and average day rates.

As of March 31, 2017, our backlog of firm contracts and optional extensions were approximately \$1,472 million.

TCO Contract

In May 2016, we and Blue Water Logistics UK Limited, as a consortium, entered into an offshore marine module transport contract with TCO. Under this contract we will design, build, own, mobilize and operate a total of 17 new MCVs that will transport more than 270 modules from the Baltic Sea and the Black Sea, respectively, through the RIWS into the Caspian Sea for delivery in Tengiz, Kazakhstan. We expect the vessels to become operational in the second quarter of 2018 and to be in operation for a minimum of three years. In accordance with the related consortium agreement, Blue Water Logistics UK Limited serves as the consortium leader. Under the TCO Future Growth Project’s contractual terms, the approximately \$325 million construction costs of all 17 MCVs are funded through payments made by TCO to the Company during vessel construction equivalent to the cost of construction of each vessel, creating a liability on the Company’s balance sheet which will be reduced evenly by a portion of the charter revenue generated by the Company during the operation of each vessel.

The contract includes termination provisions for cause, force majeure and convenience, as well as indemnities and limitations on liability. TCO has the right to terminate the contract for cause upon ten days' notice of breach specifying the reason for such termination. If the contract is terminated for cause, TCO may further, during the vessel construction phase, instruct us to terminate the contract with Vard and TCO may claim refund of any payments made during the construction phase of the MCVs pursuant to the refund guarantees provided by Vard. Alternatively, and following completion of the vessels, TCO may require us to assign to TCO title and all rights and obligations to the vessels as well as all licenses and permits related to the vessels. The contract may also be terminated without cause upon 30 days' notice from TCO. Upon such notice, we will be required to assign to TCO title and all rights and obligations to the vessels (in their current state), including all licenses and permits related to the vessels. In the event the vessels are transferred to TCO, TCO is required to write off all remaining payments related to the vessels made during the construction phase of the vessels.

In connection with each termination, pursuant to the terms of the contract, TCO must make significant termination payments to us including, in the case of termination for cause, compensation equal to the portion of the pre-agreed residual value per vessel that has accrued over the operating period, and in the case of termination without cause, additional compensation for reasonable wind-down expenses.

The construction of the MCVs is being carried out by several yards owned by the Vard Group AS, a subsidiary of the Fincantieri Group, a major shipbuilding company. Seven of the MCVs are currently under construction in Vard's shipyard in Vietnam and the remaining MCVs are being built in Romania. Each vessel is subject to a separate shipbuilding contract governed by Norwegian law. The vessels are scheduled to be delivered during the second half of 2017 and first half of 2018, and the first vessel was delivered on July 5, 2017.

In addition, as a separate part of the TCO Future Growth Project, KMTF is building three wider vessels that will provide services to TCO in the Kazakhstani region of the Caspian Sea. These three wider vessels have designs that are different from the 17 MCVs being built for us. We have been appointed by KMTF to manage the construction of these three wider vessels and will furthermore operate these on behalf of KMTF in the Caspian Sea during the operational phase, which is estimated to last for 850 days. The construction management phase will include the mobilization of these vessels into the Caspian Sea, which will require certain modification to the vessels, and we will be responsible for maintaining and procuring the repair of any damage caused to the MCVs during the mobilization of these vessels and during the operational phase. The vessels will be insured by us on terms identical to the terms applicable to our owned vessels.

During the operational phase, we will provide technical, crew management and other services to the MCVs while KMTF will source certain local crew members.

BP 2020 Vessel Charter Agreements

On February 19, 2016, BUE Caspian Limited, a 100% owned subsidiary of the Company, entered into charter agreements to supply 14 offshore support vessels to BP Exploration (Caspian Sea) Limited in Azerbaijan. The purpose of the agreements is to provide vessels to support BP's Azeri-Chirag-Gunashli and Shah Deniz 2 oil fields offshore Azerbaijan. The charter agreements extended existing contracts for vessels by a term of five years (with two one-year extension options). The agreements, one for each of the 14 vessels, are subject to an umbrella agreement.

The charter agreements have payment terms based on a day rate. The agreements are terminable upon the occurrence of certain conditions and cancellation terms customary for charter agreements, subject to certain termination payments payable to us by BP. Additionally, each charter agreement may be terminated by BP upon 30 days' notice and subject to compensation for a period of up to six months; however, BP is only able to terminate up to three charter agreements (three vessels) in any one calendar year. Upon early termination by BP, we are entitled to receive transit costs incurred for demobilization of the applicable vessel, and such vessel will remain on hire from the time the vessel is terminated to the time it has been demobilized out of the Caspian Sea; however, for a maximum of 180 days. BP is entitled to lay up the vessels during the contract term (either in cold or warm lay-up, with a total of three vessels at any one time), in which case BP must provide a safe berth, or alternatively permit us to nominate a safe berth and get reimbursed for related costs. In a warm lay-up, we are entitled to receive compensation in the amount of 80% of our day rates; in a cold lay-up, we are entitled to receive compensation in the amount of 65% of our day rates. BUE Caspian Limited's obligations include being responsible for the ongoing maintenance of the vessels, and ensuring that they meet international health and safety standards during their operation. The daily rate payments escalate according to pre-agreed rates, which remain fixed for the first 33 months, after which they are subject to good faith renegotiations.

IOC/NOC Time Charters for the OSV Fleet

Time charters for IOCs/NOCs are typically obtained through a tender process. The tender process begins when a requestor issues a request for tender or an expression of interest. The terms of NOC/IOC time charters, which are included in the request for tender, are typically specific for each NOC/IOC and are more client-friendly and often not subject to negotiation. A request is typically sent to a number of OSV operators which requires an indication of pricing and availability of the OSV proposed to be mobilized for the project, as well as other specifications, including the scope of work, the water depth and the personnel capacity of the vessel, in order to pre-qualify for the tender. OSV operators then submit detailed bids for the project, from which the client selects the winning bid. Key factors in winning tenders include: (i) proposed day rates; (ii) the specifications and capabilities of the proposed OSV; (iii) the health and safety track record; (iv) the operational track record; (v) a skilled employee base; and (vi) the depth of experience and client relationships.

The complete tender process can take from two months to a year, depending on a requestor's lead time, the complexity of the operation, the execution schedule and the availability of equipment. Our tender team, based in our headquarters in Dubai, has significant experience with the tender process and, we believe, is key in our success at winning tenders, in addition to other factors, including our modern and high-specification fleet of 120 vessels (including 23 vessels currently under construction), technical capabilities, HSE standards and record, and knowledge of local market conditions and operating environments.

Baltic and International Maritime Council Supply Time Charters

Typically, we obtain our time charters for our non-NOC/IOC clients through brokers, who look to match demand for vessels with those available on the market. The standard form for these time charters is Supplytime 2005 provided by the Baltic and International Maritime Council, an international shipping association. Supplytime 2005 addresses, among other terms, the period of the agreement, the delivery and redelivery of the vessel, requirements for and for determining the condition of the vessel, day rates and meal budgets for crew members, and the repair and maintenance of the vessel, in addition to standard clauses around technical breakdowns, liability and indemnifications, insurance, termination and governing law clauses.

Vessel Charter Key Contract Terms

Our OSV contracts generally include: (i) a day rate, which is earned regardless of the activity level on the OSV; (ii) a rate per member of personnel on board to provide mess and accommodation for the client personnel and other workers onboard the OSV; and (iii) in some few cases, mobilization and demobilization fees, which cover the costs of moving an OSV to the contract location and back to an agreed location at contract expiration.

The client may have as many as three members of its own personnel onboard, who provide the master and the crew with instruction, although the master typically has the final word on matters related to safety and the capabilities of the vessel.

We operate on the basis of fixed-term contracts. The durations of our contracts vary depending on client requirements. As a result of current market conditions, our clients have demanded shorter-term contracts that allow greater flexibility to respond to volatility in the oil and gas industry. In some cases our contracts also include extension options. Our contracts in the Caspian region with terms of one month to five years will typically include up to three one-year renewal options. Our contracts in the MENA region and our subsea operations with terms of up to three years will typically have either a two-year renewal option or up to three one-year renewal options. Most of our Africa contracts do not have renewal options and for those with renewal options, the longer the tenor the longer the available renewal options. In order to exercise its extension option, a client must notify us of its interest by a certain date which will be prior to the end of the contract.

In addition to customary termination provisions, our contracts can be terminated by our clients at their discretion within notice periods typically ranging from 30 days to six months, although some notice periods have been significantly shorter. The notice period is generally linked to the length of the fixed term of the contract, with longer contracts having longer notice periods. A termination of any one of our contracts, depending on the terms agreed with the client with respect to that particular contract, can either be without compensation or can carry a compensation determined either by an agreed rate per days remaining in the contract or as a percentage of the backlog associated with that contract as of the termination date. For example, certain of our contracts contain termination clauses that can amount to up to 50% or 80% of the unexpired contract revenue. The payment of these amounts mitigates our risks associated with the repayment of vessel-related debt. Our clients are further entitled to terminate contracts due to default in our performance of a contract, including due to technical breakdown. There have been no significant early terminations of our contracts in the year

ended December 31, 2016. We are not typically able to terminate our contracts save in the case of nonpayment of hire by the client.

Our contracts typically include provisions requiring both our counterparty and us to be adequately insured. Our contracts additionally include indemnity provisions and limitations on liability, often for a capped amount, and force majeure provisions, each of which are customary in the industry.

Shipbuilding Contracts with Vard

In September 2015, we and Vard entered into two shipbuilding contracts pursuant to which Vard will design, construct, outfit and sell to us two MPSVs for an amount of NOK 443,250,000 each. These MPSVs are currently being built in Vard's yards in Norway and Romania, and are contractually scheduled to be completed and delivered to us by July 10, 2017 and November 30, 2017, respectively. We have reached a verbal agreement with Vard to delay delivery of these vessels until at least 2018; however, the agreements reflecting the extended delivery dates have not yet been finalized. Pursuant to the terms of the contract, we will become the owner of the vessels upon delivery and acceptance thereof. The vessels are covered by a twelve-month guarantee period during which Vard will undertake to repair and rectify, at its own cost and expense and free of charge, any defects caused by faulty design, defective materials and/or poor workmanship on the part of Vard.

Anchor Handler Contract

In February 2015, we and Nam Cheong International Ltd ("**Nam Cheong**") entered into a memorandum of agreement pursuant to which Nam Cheong will sell an AHTSV to us for \$27,500,000. The vessel is currently being constructed and outfitted by Wuhu Xinlian Shipbuilding Co., Ltd in China and is expected to be completed and delivered to us by the end of January 2018, in accordance with the addendum signed between Nam Cheong and us in May 2016. Under this contract (as amended by the aforementioned addendum), if Nam Cheong is unable to deliver the vessel by the end of April 2018, we are entitled to cancel the order and be compensated for direct losses suffered as a result of such delay.

Sale of Topaz Engineering

On August 23, 2015 the Company completed the sale of Topaz Engineering Limited and procured, as beneficial owner, the sale of Nico Craft LLC to Chalmers Holdings Limited for an aggregate amount of \$18,500,000. Additionally, the Company was entitled to a maximum amount of \$4,000,000 in proceeds from the sale of nine MTU engine shipsets, whose title passed to Chalmers Holdings Limited as part of the disposal. Notwithstanding the foregoing, if the shipsets remain unsold by September 1, 2018, the Company is entitled to a \$2,000,000 payment from Chalmers Holdings Limited.

The share sale and purchase agreement provides for an indemnity given by the Company against all liabilities arising out of or in connection with, among others, certain accidents, damages, unpaid accounts payables and unrecovered accounts receivables, and tax liability subject to a cap on the Company's potential liabilities of 20% of the consideration paid.

Competition

The global OSV industry is highly competitive and fragmented, and includes several large companies that compete in many of the markets we serve, as well as numerous small companies that compete with us on a local basis.

We believe that the principal competitive factors in the market areas we serve include the technical sophistication, durability, range, timeliness and price of the services and products offered; relationships with clients and intermediaries; the proportion of employees who are nationals of the relevant jurisdiction; compliance with HSE standards; and reputational strength with respect to safety and quality. Additionally, we face increasing competition as a result of new market entrants, consolidation in the oil and gas industry, and deployment of additional OSVs in the regions in which we operate, among other factors.

In the Caspian region, we believe that our key competitors include Caspian Marine Services, Caspian Offshore Construction, GAC Marine, Caspian Mainport, Wagenborg and Swire Seabed. The offshore services markets in MENA and Subsea and the rest of the world are fragmented, which makes identifying key competitors difficult. We believe that our key competitors in the fragmented MENA region and our subsea operations are Bourbon Offshore, Maridive, Tidewater, Halul Offshore, Zakher Marine and Zamil. In the Africa region, we believe that our key competitors are Bourbon Offshore, Tidewater, Swire Pacific, and RK8 Offshore.

Property

Our corporate headquarters are located in Dubai (UAE). The following table provides a summary of our key facilities and properties:

Group Headquarters

Location	Leased/Owned	Description
Dubai, UAE	Owned	58th Floor, Almas Tower Corporate Headquarters

Headquarters of Our Operating Segments

Location	Leased/Owned	Description
Topaz Marine MENA and Subsea: Jebel Ali, Dubai, UAE.....	Leased	Headquarters of Topaz Marine
Topaz Marine Caspian: Baku, Azerbaijan	Leased	Headquarters of Topaz Marine Azerbaijan
Topaz Marine Africa: Jebel Ali, Dubai, UAE.....	Leased	Headquarters of Topaz Marine Africa
Topaz Solutions: Jebel Ali, Dubai, UAE.....	Leased	Headquarters of Topaz Solutions

Employees

As of March 31, 2017, we had 1,708 employees worldwide. These employees include crew, operational functions, executive management, shared services functions and other employees. The following table indicates the distribution of our employees by geographic region:

	As of December 31,		As of March 31,	
	2014	2015	2016	2017
Region:				
Corporate & Shared Services	64	67	86	104
<i>Topaz Solutions</i>				
Topaz Solutions onshore	—	—	16	21
Topaz Solutions offshore	—	—	—	—
Topaz Solutions total	—	—	—	21
<i>Caspian Sea</i>				
Caspian onshore.....	113	99	89	84
Caspian offshore.....	686	844	824	788
Caspian total	799	943	913	872
<i>MENA and Subsea</i>				
MENA and Subsea onshore	66	55	53	25
MENA and Subsea offshore.....	508	707	560	541
MENA and Subsea total	574	762	613	566
<i>Africa</i>				
Africa onshore	22	26	19	17
Africa offshore.....	445	237	185	128
Africa total	467	263	204	145
Total	1,904	2,035	1,832	1,708

Sourcing and Induction

We have a firm commitment to source and induct potential crew and other employees in a clear and systematic manner in accordance with our Topaz Competence Framework. At the sourcing stage, we work with reputable marine employment agencies to help identify candidates. We then conduct a series of interviews and authenticity verification processes to ensure that the candidate is technically proficient and compatible with our competence framework. At the induction stage and after the issuance of the employment contract, we use in-house management to inculcate employee identification and compliance with our work culture, ethos and practices.

Training

We employ both in-house trainers and approved external training providers to ensure a high standard of training is achieved in all areas of our operations. All our offshore employees are trained in accordance with the International Convention on Standards of Training, Certification and Watchkeeping 1995 and hold valid international certification and accreditation for the various duties they undertake on each of our vessels. Our internal training curriculum covers key areas of rig operation such as confined space entry, working at height, hot work and emergency response. Our approved external training providers are employed to cover nationally accredited courses such as H2S Awareness, Fire Team Members and Leaders programs, and Management of Major Emergencies as well as certification for any roles classed on board as “high risk.”

We carry out competence assessments of our Masters and Chief Engineers to help identify any gaps in required skills or knowledge. These gaps are then addressed with appropriate training or coaching. This assists us in identifying opportunities for improvement in both the safe operation and the efficient running of the vessels. The outcome of this assessment drives the curriculum for the following quarter and is based on the core assessment areas laid out in the employees’ assessment process.

To further enhance the training on board our vessels, our Health, Safety, Environmental and Quality department issues safety alert packages and fleet memos on current industry best practices to further bolster the knowledge of our crew. This information is passed on through daily tool-box talks and interactive weekly safety meetings. In addition, each vessel conducts emergency drills and scenarios on a regular basis.

Insurance

We maintain corporate and marine insurance cover appropriate to our business arranged through a global full service insurance broker and consultant.

At a Group level, we maintain comprehensive policies protecting our property and employees as well as covering our business risk liability, including collective life insurance, personal accident insurance, workmen’s compensation and employer’s liability insurance, public liability insurance, property all risk insurance and electronic equipment insurance, and insurance relating to directors’ and officers’ liability.

In respect of our maritime fleet, we have taken out the following cover:

- hull and machinery risk insurance—taken out on a “per vessel” basis through a syndicate of international underwriters with fronting by local insurers where required by local law, covering damage to hull, machinery and equipment, with coverage equal to the estimated value of each vessel;
- protection and indemnity insurance—taken out on a “per vessel” basis with a member of the International Group of P&I Clubs, which include the following covers:
- general third-party liability with coverage up to the capacity of the International Group of P&I Clubs (approximately \$6 billion), subject to the standard limitations that applies for various specific damages set forth in the International Group of P&I Clubs’ pooling agreement;
- oil pollution coverage from our vessels with a limit of \$1 billion per accident;
- risk arising from offshore specialist operations with a limit of \$10 million;
- war risk insurance—taken out to cover damage to or loss of vessels as a result of events such as war, civil strife, piracy, violent theft or terrorism, with coverage equal to the estimated value of each vessel.

Health, Safety and Environment

Health and Safety

HSE standards are fundamental to our pursuit of operational excellence. The HSE function has a Group manager responsible for HSE reporting to the Chief Operating Officer who is supported by an HSE team spread across the Group’s operations. We place great importance on the pursuit of HSE excellence throughout the Group and believe high HSE standards are central to the Group’s reputation, client relationships and strategy going forward.

The Group strives for an incident-free workplace and has accordingly implemented a training program to support continuous safety improvements across the organization. We monitor indicators such as lost time incident frequency (“**LTIf**”) to measure HSE performance. LTIf is calculated by the Group as the number of lost time incidents (“**LTIs**”) occurring per 1,000,000 hours worked. LTI is defined as an incident leading to an injury as a result of which the injured party cannot return to work within 24 hours of the incident. We had an LTIf across the Group of 0.91 in 2015, 0.71 in 2016 and zero year-to-date in 2017. We have had no fatalities in the past five years. Our key performance indicators relating to our safety record compare favorably with the industry standard:

Measure	Industry Benchmark ⁽¹⁾	Current Performance Year to date 2017
Fatal Accident Frequency ⁽²⁾⁽⁸⁾	1.00	0.00
Lost Time Incident (LTI) Frequency ⁽³⁾⁽⁸⁾	0.43	0.00
Total Recordable Injury Rate ⁽⁴⁾⁽⁸⁾	1.81	0.00
Environmental Incident Frequency ⁽⁵⁾⁽⁹⁾	1.17	2.11
Safety Observation Frequency Rate ⁽⁶⁾⁽⁹⁾	313.95	827.55
Management Visit Rate ⁽⁷⁾⁽⁹⁾	5.79	20.44
Total Hours Worked	IMCA Band D	1,424,936

(1) Source: International Marine Contractors Association (IMCA) Safety Statistics for 2017 and 2016.

(2) The number of fatal incidents per 100 million hours worked.

(3) The number of injuries resulting in time away from work per one million hours worked.

(4) The number of recordable injuries per one million hours worked.

(5) The number of incidents resulting in environmental impact per one million hours worked.

(6) The number of safety observations submitted per 200,000 hours worked.

(7) The number of managerial visits per 200,000 hours worked.

(8) Based on 2017 benchmark.

(9) Based on 2016 benchmark. IMCA have informed that it no longer publishes benchmarks for these measures.

We comply with industry best-practice techniques in respect of HSE standards, including an in-house Behaviour-Based Observation System used via paper cards or mobile app, hazard awareness and campaigns and accident investigation training. The top management of Topaz also hosts an annual company-wide Safety Culture Survey, launched in 2013, which is arranged by dedicated third-party specialists.

We have won numerous awards in recognition of our HSE standards and performance, including the Safety and Quality Award by Seatrade Middle East and the Safety at Sea Award by Lloyd’s List.

We are a member of the International Marine Contractors Association (IMCA), an international trade association promoting safety within the offshore, marine and underwater engineering industries as well as the Dropped Objects Prevention Scheme Organization (DROPS). Members of the HSE function are active members of other organizations, such as Institution of Occupational Safety and Health (IOSH).

Our marine business is subject to a number of international conventions and standards relating to minimum safety HSE and is subject to periodic survey and inspection requirements. International conventions and standards with provisions which relate to operations and HSE include:

- the International Safety Management Code for the Safe Operation of Ships/Vessels 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), which in the Caspian region strictly limits, and in some cases entirely prohibits, the discharge of waste (including garbage, grey water, sewage and oil);

- the ILO Maritime Labour Convention (MLC) 2006, which establishes minimum working and living standards for all seafarers on ships flying the flags of ratifying countries;
- integrated systems management standards such as ISO 9001 (quality), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety); and
- Offshore Vessel Management Self-Assessment (OVMSA) and Offshore Vessel Inspection Database (OVID), which are key assessment tools demanded by our oil major clients.

As of July 11, 2017, we are not aware of any material breaches by the Group of these conventions.

We are certified compliant with the ISM Code and ISO 9001, an international quality management standard published by the International Organization for Standardization (“ISO”). Additionally, where required by clients, we have also been certified in accordance with ISO 14001, an environmental management standard published by ISO, and OHSAS 18001, an assessment specification for occupational health and safety published by the Occupational Health and Safety Advisory Services.

We have historically procured annual external audits of our vessels to ensure compliance with the standards referred to above (ISO and OHSAS) and internal audits are carried out by Topaz HSE teams on an annual basis.

Intellectual Property

We own the rights to the Topaz and BUE brand as per our Company registration. We do not own or use any patents, trademarks or other intellectual property that we consider significant to or necessary for the operation of our business.

Legal Proceedings

Boa Marine Services Inc. and Boa Offshore LLC

Under an agreement dated March 16, 2012 and January 2, 2016, we chartered out the vessel Topaz Captain to Boa Marine Services Inc. and Boa Offshore LLC (together, “Boa”). The agreement was terminated in early 2016 after Boa ceased payments. The outstanding fees under the agreement are approximately \$2.2 million. The Topaz Captain was arrested after Boa ceased making payments to a third party for catering services in the amounts of \$720,000. We paid the catering invoices in order to release the vessel from the arrest. The parties have entered into a payment arrangement with Boa, however we do not expect to fully recover the charter fees.

Cutra International Limited Joint Venture

Topaz Marine Limited and Cutra entered into a shareholder agreement and a business development agreement on December 27, 2013 following the incorporation of the joint venture entity Topaz Marine Nigeria Limited. On January 13, 2016, pursuant to certain exit mechanisms in the shareholder agreement, we offered to purchase the shares in Topaz Marine Nigeria Limited from Cutra, and alternatively offered Cutra to acquire our shares in the company at a fair market price.

While Cutra did not object to the sale of the joint venture shares, no agreement could be reached on a purchase price. In accordance with the shareholder agreement, the parties jointly sought a third-party valuation which was delivered in May 2017. Our subsequent offer to purchase Cutra’s joint venture shares for a price based on this third-party valuation was rejected.

On August 16, 2016 Cutra applied for and was granted a “Mareva Injunction” under which the vessels Topaz Seema, Topaz Amani and Caspian Breeze were restricted from being released, sold, transferred, mortgaged, charged, disposed of or otherwise dealt with. As a basis for the Mareva Injunction, Cutra filed a legal action in the Nigerian courts against Topaz and Topaz Marine Nigeria Limited claiming general damages in an amount of \$9.5 million for wrongful termination of the joint venture and losses suffered by Cutra as a result of this termination despite the shareholder agreement prescribing arbitration in London as dispute resolution.

On July 7, 2017 a Nigerian court discharged the Mareva Injunction and stayed further proceedings on Cutra’s substantive claims pending the commencement and conclusion of the arbitration of the dispute in London. Cutra has the right to file a timely appeal of the court’s decision.

We intend to continue to defend against Cutra's claim in Nigeria or through arbitration in London in accordance with the dispute resolution in the shareholder agreement, as required.

REGULATION

Our operations are extensively regulated by national, state and local authorities in the countries in which we operate, including, in particular, in the areas of labor, HSE, cabotage and business operations.

Labor Laws and Regulations

We are subject to laws, regulations and policies relating to workforce nationalization in certain of the countries in which we operate. Certain labor-related laws, regulations and restrictions which we believe are relevant to our operations are set forth below.

Caspian Region

In Azerbaijan, our operations are not affected to any material extent by laws or regulations relating to the employment of minimum numbers of Azerbaijani nationals. However, restrictions do apply to the engagement of non-Azerbaijani nationals in certain positions. For example, the captain, first officers, chief engineers and radio officers of each vessel are required to be Azerbaijani nationals. In addition, under the terms of certain charter party agreements entered into with BP, Topaz Marine has agreed to employ local employees, subject to availability and suitability of qualifications and experience. However, there are no set quotas or percentages for the employment of Azerbaijani nationals under Azerbaijani law. In accordance with the Migration Code of Azerbaijan, the period of temporary stay of foreigners and persons without citizenship in Azerbaijan on the grounds of granted visa is restricted by the period stated in such visa. Expatriate staff who have transferred to or been assigned to work in Azerbaijan must have work permit approved by the State Migration Center before employment begins. However, this regulation does not affect offshore staff, as they have separate marine terms and conditions.

In Kazakhstan, our operations are not affected to any material extent by laws or regulations relating to the employment of minimum numbers or proportions of Kazakhstani nationals. However, restrictions do apply to the engagement of non-Kazakhstani nationals in certain positions. For example, the captain of each vessel is required to be a Kazakhstani national. In addition, local content requirements state that the expatriate rate must be 60/40 local/expatriates. Senior officers operating in Kazakhstan may also be required to maintain Kazakh citizenship, but this requirement is currently on hold until 2020. To obtain multiple-entry visas for expatriates in Kazakhstan, employers must also maintain employment contracts.

In Russia, our operations are not affected to any material extent by laws or regulations relating to the employment of minimum numbers of Russian nationals. However, restrictions do apply to the engagement of non-Russian nationals in certain positions. For example, the captain of a ship, the captain's first mate, the senior ship's engineer and the radio officers of each vessel are required to be Russian nationals. To become a crew member of a ship sailing under the Russian flag, a foreign citizen has to meet several requirements as to his professional competence, Russian language skills, health and physical condition in addition to meeting the International Labor Organization regulations.

In all of the Caspian jurisdictions, there is an increased effort to try to motivate foreign entities to employ local employees, and for certain positions where the authorities deem that local qualified persons are available in the market, we occasionally experience challenges in obtaining or renewing visas for expat employees.

As of July 11, 2017, we are not aware of any material breaches by the Group of these laws, regulations or requirements related to labor.

MENA and Subsea

In the Kingdom of Saudi Arabia, we are required to abide by certain government and contractually mandated employment and reporting requirements.

The Kingdom of Saudi Arabia has implemented a Saudi localization national policy to encourage private-sector employment of Saudi nationals. This national policy requires that private firms be categorized in certain zones or bands based on the number of employees employed by the firm and their compliance with minimum employee requirements. Upon renewal of our localization certificate, we are required to report the number of Saudi nationals we employ in our Saudi operations as a ratio to the number of non-Saudi nationals we employ.

Additionally, under the terms of certain charter agreements entered into with Saudi Aramco, we are required to staff a certain minimum number of Saudi employees on board our vessels. We are progressively working towards full

compliance with the charter terms relating to minimum employee requirements. Saudi Aramco has lately focused on Saudization and creation of values within the Kingdom of Saudi Arabia.

In the year ended December 31, 2016, we paid penalties and fines of approximately \$1.0 million relating to our noncompliance with governmental and contractual requirements for Saudi localization. We anticipate continuing to pay similar fines in the future relating to Saudi localization.

In the UAE, we comply with the local regulations as they relate to our operations in this region. Regarding the employment of an expatriate crew, local law requires that certain positions, such as the captain and chief engineer, have ship operation experience in the UAE. There is no mandatory requirement to employ UAE nationals on our vessels operating in the UAE.

We comply with local regulations as they relate to our operations in Qatar. Vessels operating in Qatari waters must be managed by a company having a Qatari document of compliance. We are in compliance with this requirement. Furthermore, there is no requirement to employ Qatari nationals on our vessels operating in Qatari waters.

Africa

There is a requirement to comply with local regulations relating to the employment of a minimum number of Nigerian nationals as stipulated in the Nigerian Oil And Gas Content Development Act 2014. We employ Nigerian crew to comply with the relevant local content regulations.

Topaz Solutions

Pursuant to local labor laws in Russia, we intend to maintain Russian crew in the operation of our vessels and Russian staff for our onshore offices in connection with the TCO Future Growth Project. We are currently carrying out examinations to ensure that all material local requirements are met at the time the operational phase of the TCO Future Growth Project commences.

HSE Laws and Regulations

We are subject to HSE-related laws, regulations and standards in each of the regions in which we operate. We place significant emphasis on compliance with these conventions, which form the basis for our HSE policies and performance. For further details, see *“Business—Health, Safety and Environment.”*

Noncompliance with any of these regulations, codes or standards could result in the detention of a vessel in port, the suspension of insurance cover and, in some circumstances, the seizure of a vessel.

As of July 11, 2017, we are not aware of any material breaches of any of these laws, regulations or standards and believe that the regulatory environment does not present a material constraint on our ability to operate the business of the Group as it is currently operated.

Cabotage and Vessel Licensing Laws and Regulations

OSV operators conduct their operations in a highly regulated industry and are subject to various regulatory regimes imposed by national, state and local authorities in the countries in which they operate and by international conventions. Each country must maintain registers of vessels which carry its nationality or flag, pursuant to the United Nations Convention on the Law of the Sea 1982. Each flag state applies its own regulatory requirements (based on the conventions adopted by the United Nations’ International Maritime Organization), in addition to specific classification requirements for vessels. These include minimum safety, construction and equipment standards and are subject to periodic survey and inspection requirements, pursuant to the adoption and implementation of international conventions. For further details on some of these international conventions, see *“Business—Health, Safety and Environment.”*

Certain cabotage and licensing laws and regulations which impact Topaz Marine’s current and expected operations are set forth below. As of July 11, 2017, we are not aware of any material breach by the Group of these laws and regulations.

Azerbaijan

The registration of vessels operating in Azerbaijan is overseen by the State Maritime Administration. In accordance with The Republic of Azerbaijan Merchant Code, any vessel built or flagged outside Azerbaijan is required to re-flag under the Azerbaijan flag on a temporary basis in order to be able to operate in Azerbaijan. Temporary re-flagging

is granted only where an Azerbaijani national person or legal entity is the bareboat charterer of the vessel and is typically granted for up to one year on a renewable basis. All of our vessels operating in Azerbaijan carry a secondary Azerbaijan flag.

Kazakhstan

Only vessels that are flagged in Kazakhstan or in one of the other Caspian littoral states (Azerbaijan, Russia and Turkmenistan) are permitted to operate in Kazakhstan. Any vessel built or flagged outside Kazakhstan (including in the other littoral states) is required to re-flag under the Kazakhstan flag on a temporary basis in order to be able to operate in Kazakhstan, except in the case of those vessels flagged in littoral states for which a cabotage approval has been granted by the Ministry of Transportation. Temporary re-flagging is granted only to vessels operated pursuant to a bareboat charter by a Kazakhstani national charterer registered in Kazakhstan. Re-flagging is typically granted for up to two years on a renewable basis. All of our vessels operating in Kazakhstan carry a secondary Kazakhstan flag.

Russia

Vessels operating in Russia are required to be registered under the Russian flag. In accordance with the Russian Federation Merchant Shipping Code, any vessel built or flagged outside of the Russian Federation must be re-flagged and registered in the Russian bareboat charter registry in order to be able to operate in Russian waters. Such registration is provided by the Russian International Register of Shipping. Temporary re-flagging is granted only to the vessels operating pursuant to a bareboat charter agreement in which a Russian entity or person is the bareboat charterer of the vessel. This temporary re-flagging is typically granted for the entire term of the bareboat charter agreement. The MCVs will be bareboat chartered to our Russian entity and registered with the Russian flag prior to the commencement of operations in Russia. Our OSV vessels currently operating in Russia all carry a secondary Russian flag.

West Africa

OSV operators in West Africa are subject to cabotage laws and regulations that regulate the number of foreign entities and non-nationals operating or employed in providing OSV services.

In Nigeria, the Coastal and Inland Shipping (Cabotage) Act of 2010 (the “**Cabotage Act**”) requires that vessels used to provide services to the domestic oil and gas industry to be registered in a special register of vessels. The Cabotage Act prohibits a vessel not wholly owned and manned by a Nigerian national, built and registered in Nigeria from engaging in domestic coastal carriage or cargo and passengers within coastal, territorial or inland waters or any point within the waters of the Exclusive Economic Zone of Nigeria. A vessel seeking to operate within Nigerian waters can be registered for use in domestic trade only if the controlling interest in the company is held by Nigerian national. Specifically, conditions of registration stipulate that vessels must be either wholly and beneficially owned or controlled and managed by Nigerian nationals (or a company wholly and beneficially owned by Nigerian nationals), or be owned by a company registered in Nigeria the shares of which are owned as to 60% by Nigerian nationals. Exemptions from the Cabotage Act can be obtained on an annual basis, and we have obtained cabotage waivers for all vessels operating in Nigeria.

MANAGEMENT

Company

The Company is currently controlled by the Board of Directors of the Parent. See “—*Company—Board of Directors*” below.

Company—Board of Directors

The Board has the authority, and is accountable to shareholders, to ensure that the Group is appropriately managed and achieves the agreed strategic objectives. The Board discharges those responsibilities by supervising overall budgetary planning and corporate strategies. The Board reviews the Group’s internal controls and risk management policies and approves its governance structure and Code of Business Conduct.

The Board appraises and approves financing, investment and contractual decisions in excess of defined thresholds as per approval protocols. In addition to these items, the Board evaluates and monitors the Group’s performance as a whole. This includes: (i) engaging at Board meetings with the CEO and other members of the Corporate Executive Committee on our financial and operating performance and external issues material to our prospects; (ii) evaluating progress towards the achievement of the Group’s financial and business objectives and annual plans; and (iii) monitoring, through reports received directly or from various committees, the key risks facing the Group. The Board has overall responsibility for succession planning for the CEO and other senior members. The Board has given the CEO broad authority to operate the business of the Group and the CEO is accountable for, and reports to the Board on, business performance.

The following table sets forth the name, age and position of the members of our Parent’s Board of Directors, followed by a short description of each director’s business experience, education and activities.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Samir J. Fancy	60	Chairman
René Kofod-Olsen	44	Chief Executive Officer
Stephen R. Thomas, OBE	59	Shareholder, Non-Executive Director
Taimoor Labib	42	Shareholder, Non-Executive Director
Ali Bin Hassan Sulaiman	55	Shareholder, Non-Executive Director
Philip Gore-Randall.....	64	Independent, Non-Executive Director

Samir J. Fancy has been a Director of the Company since 1996. He has 30 years’ worth of Directorship experience across a range of sectors, including banking, financial investment, oil and gas, and facilities management. He has been recognized externally for his entrepreneurship skills. Mr. Fancy is the founder of the Oman Chapter of The Young Presidents Organization.

René Kofod-Olsen For biographical details of Mr. Kofod-Olsen, see the description under “—*Senior Management*.”

Stephen R. Thomas, OBE has significant international experience, originally working with Grand Metropolitan Group plc. He has served as a board member of the Oman Society for Petroleum Services (OPAL) and as a board member of the National Hospitality Institute SAOG. In 2010, he was awarded the Order of the British Empire (OBE) for services to business abroad and services to the community in Oman. Mr. Thomas has served as the CEO of Renaissance Services SAOG since 1998.

Taimoor Labib has approximately 20 years of direct private equity and M&A experience across a wide range of industries and geographies, including deep relationships with leading family groups, regional regulators, sovereign wealth funds and limited partners. He began his career with Bear Stearns in New York and The Carlyle Group in Washington D.C. and holds a Bachelor of Science degree from Carnegie Mellon University. Mr. Labib is the Head of Africa & Middle East at Standard Chartered Private Equity and sits on a number of corporate boards across Africa and the Middle East.

Ali Bin Hassan Sulaiman has over 25 years of global management experience in a variety of sectors. He was the founder of Ali and Abdul Karim Group, a manufacturing and services group with interests in the oil and gas, property development, FMCG consumer goods, and wireless networking sectors. He also serves as Deputy Chairman of Renaissance since 2010, Director of Renaissance Duqm SAOC and Director of Majan Glass Manufacturing Co SAOG.

Philip Gore-Randall is a Chartered Accountant with extensive international experience at a senior level in large organizations, including HBOS plc, Aon UK and Aon Risk Services. He spent the first 25 years of his career at

Andersen, becoming a Managing Partner and COO for the worldwide practice. Mr. Gore-Randall has an MA from Oxford University. Mr. Gore-Randall also serves as Chairman of Fircroft Engineering, Equiom Holdings, Equiom Asia, RAK Logistics, Alvarez and Marsal Corporate Performance Improvement (Europe). He is also a Director and Executive Committee Member of Samena Capital and Chairman of its Audit and Operation Committee and Remuneration Committee. Mr. Gore-Randall is also the Audit Committee Expert for RAK Ceramics and Audit Committee member of RAK Free Trade Zone and Investment Authorities.

Senior Management

The following table sets forth the name, age and position of senior management of the Company, followed by a short description of each individual's business experience, education and activities.

Name	Age	Position
René Kofod-Olsen	44	Chief Executive Officer
Martin Helweg	45	Chief Operating Officer
Jay Daga	50	Chief Financial Officer
Robert Desai	38	Chief Commercial Officer
Eirin M. Inderberg	49	Head of Legal
Morten W. Jorgensen	39	Head of Strategy and Corporate Planning
Paul Jarkiewicz	54	Regional Director—MENA and Subsea
Richard Ayling	57	Regional Director—Caspian
Tom Knudsen	55	Regional Director—Africa

René Kofod-Olsen has been the Chief Executive Officer of the Company since 2012. He has 24 years of experience in the marine industry with the AP Moller-Maersk Group and previously served as CEO of SVITZER Asia, Middle East & Africa. Mr. Kofod-Olsen has significant leadership experience in several multicultural organizations and countries. He pursued an advanced management program at Harvard Business School.

Martin Helweg serves as Chief Operating Officer and has been with the Company since 2017. He has 20 years of experience in leadership roles in the international maritime industry. Prior to joining Topaz, he worked with Svitzer, where he led the Americas Region as Regional Managing Director. Prior to that, Martin served as Svitzer's Regional Chief Financial Officer and Deputy Managing Director for Africa, Middle East and Asia.

Jay Daga has served as the Chief Financial Officer since 2015 and previously served as the Finance Director since 2011. Mr. Daga has been with the Company since 1999, holding several finance positions. Prior to joining the Company, Mr. Daga worked with M/s. Hindustan Gas & Industries Limited and M/s. Mohsin Haider Darwish LLC. He is a Certified Public Accountant (U.S.), a Chartered Accountant, a Cost Accountant, a member of the Institute of Chartered Accountants of India. He has 24 years of experience as a finance professional, including experience with Moshin Haider Darwish LLC, Hindustan Gas & Industries Ltd, PwC.

Robert Desai serves as Chief Commercial Officer (CCO) and has been with the company since 2009 in various capacities including Commercial, Corporate Planning, Strategy and Investor Relations. As CCO, Robert leads the execution of our commercial strategy and is accountable for all revenue generating activities. Prior to joining Topaz, he worked in various industrial sectors and consulting. Robert has 13 years of experience and holds an MBA from London Business School.

Eirin M. Inderberg serves as Head of Legal and has been with the Company since January 2016. She has more than 22 years of experience within the field of commercial law, including from Wikborg, Rein, a Norwegian law firm, Oslo stock exchange and firms within the oil field service. Prior to joining Topaz, she was general counsel at Polarcus Limited, a seismic offshore service entity listed on the Oslo stock exchange.

Morten W. Jorgensen serves as Head of Strategy and Corporate Planning and has been with us since May 2017 leading our strategy, M&A and investor relations activities. Prior to joining our team, Morten worked at Maersk Oil first within corporate strategy and later as Commercial Manager for the Norwegian business. Morten joined Maersk Oil from Bain & Company, where he consulted on strategic and organizational issues with major European clients. Prior to this, Morten spent ten years at Maersk Line in various commercial and strategic roles. He has 20 years of experience and holds an MBA from London Business School.

Paul Jarkiewicz has served as Regional Director—MENA and Subsea since 2017 and previously served as Regional Director—Caspian and Area Manager—Caspian. Prior to this, Mr. Jarkiewicz worked as the Manager of Fleet & Client Services at ESNAAD-ADNOC Group, Offshore Services Division, where he managed a marine fleet of 57 owned and chartered vessels. He has a total of 29 years of experience in the marine industry. Mr. Jarkiewicz holds an MBA in Shipping and Logistics from Middlesex University Business School—London.

Richard Ayling serves as Regional Director–Caspian and previously served as Area Manager–Middle East and North Africa. Mr. Ayling has been with the Company since 2009. Previously, Mr. Ayling worked as the West Africa Regional Operations Manager for Lamnalco for nine years. He has 37 years of extensive industry experience and has worked in senior management positions with many marine offshore services companies, such as Seabulk, Sea Trucks Group and Oil Limited. Mr. Ayling holds a degree in AC&G Marine from Poplar Technical College.

Tom Knudsen joined Topaz in February 2015 as the Regional Director of the Africa region. With 32 years of marine industry experience, Mr. Knudsen joined Topaz from the A.P. Moller–Maersk Group where he served as Managing Director for Maersk Line in Istanbul, Black Sea, and prior to that Managing Director in Maersk Nigeria. Mr. Knudsen holds an MBA (AMBA) from AVT Business School, and has attended several management programs including those from the London Business School, Insead and IMD.

Corporate Governance

As a subsidiary of Renaissance Services SAOG, a publicly listed company on the Muscat Securities Market (“**MSM**”), Topaz follows the principles of corporate governance and the provisions of the code of corporate governance (the “**Code**”), set forth in the Capital Market Authority’s (the “**CMA**”) guidance for companies listed on the MSM.

The Company’s Board is assisted by the Audit Committee, chaired by our independent nonexecutive director, and the Remuneration Committee, which comprises nonexecutive directors. The Parent’s CFO attends the Company’s Board and Audit Committee meetings in an observer capacity. Our current independent director is the chairman of the Audit Committee, and a member of the Company’s Remuneration Committee. In addition, the Company’s CEO is assisted by the Corporate Executive Committee.

Audit Committee

The Audit Committee assists the Company’s Board in their governance and oversight by: (i) reviewing the performance and independence of the external auditors and by making recommendations in terms of the appointment and scope of the auditors; (ii) monitoring and reviewing the integrity of financial statements and sets and ensures effectiveness of internal audit controls; and (iii) reviewing financial reporting and encouraging best practices; (iv) reviewing the suitability of accounting policies adopted by the Group and any recommended changes; (v) reviewing operational and compliance risk in the Group and approving recommendations on the application of resources to mitigate such risks; and (vi) overseeing the Group’s internal and external audit functions. The Audit Committee is also responsible for the ongoing development and coordination of risk management, as well as the consolidation and reporting of all risk management information. It provides support and guidance on the application of risk management and controls assurance across the Group. The Audit Committee assists in the appointment of the external auditor in consultation with the Parent, which uses the same auditor and as a publicly listed company in Oman, is required by the CMA to rotate its external audit firm every four years. The Audit Committee meets at least four times per year. As of July 11, 2017, is composed of Philip Gore-Randall and Ali Bin Hassan Sulaiman. Philip Gore-Randall is our Audit Committee’s chairman and financial expert.

Remuneration Committee

The Remuneration Committee assists the Company’s Board in their governance and oversight by: (i) rewarding management in line with overall business objectives; (ii) determining the appropriate policies and practices for all aspects of executive and management remuneration; and (iii) ensuring that executive and management remuneration supports the broader objectives and goals of the Group. The Remuneration Committee meets at least once per year. As of July 11, 2017, the Remuneration Committee includes Ali Bin Hassan Sulaiman, Philip Gore-Randall and, Stephen R. Thomas, OBE. Ali Bin Hassan Sulaiman is the chairman of our Remuneration Committee.

Corporate Executive Committee

In addition to the Board committees, we have a Corporate Executive Committee, which is a management committee comprising the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Commercial Officer. The Corporate Executive Committee assists the Company’s CEO in (i) monitoring business unit performance and future plans and (ii) making policy and strategic decisions. The Corporate Executive Committee meets weekly to discuss overall Group performance and once every month with senior managers of the Group’s business units and shared service functions to discuss individual business unit performance and future plans.

Topaz Code of Business Conduct

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

Executive Compensation

Total compensation paid to the members of our Board of Directors and senior management in the year ended December 31, 2016 amounted to \$3.6 million.

Shares Held by Directors and Senior Management

As of March 31, 2017, 8.1% of Renaissance's shares were owned by directors or officers, directly or indirectly, or exercised control or direction over, any of Renaissance's limited liability company interests. See also "*Principal Shareholders*."

PRINCIPAL SHAREHOLDERS

The Company is majority owned by our Parent, which is itself a wholly owned subsidiary of the Principal Shareholder. Standard Chartered Private Equity Limited and Standard Topaz Limited together hold 13.5% of the capital stock of the Company and the remainder while the remaining capital stock is held by our Principal Shareholder.

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

	%
Shareholder:	
Renaissance	86.5
Standard Chartered ⁽¹⁾	13.5

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

Principal Shareholder

Renaissance is an Omani multinational company offering strategic facilities management solutions for businesses in a wide range of sectors and geographies. Renaissance is a leading international integrated facilities management company, providing fully integrated hard and soft facilities management solutions across a range of assets and facilities. Renaissance manages facilities and offers service solutions in a wide range of sectors: 'A' grade residential properties, large-scale retail assets, hospitals, ports, universities, off-shore hydrocarbons, workforce accommodation in remote, harsh locations and more. Renaissance has been listed on the Muscat Securities Market in the Sultanate of Oman since 1996 and has a market capitalization of approximately 63.3 million Omani Rials as of July 10, 2017.

As of March 31, 2017, the following individuals and entities held direct and indirect interests in voting rights exceeding 10% of the share capital of the Principal Shareholder.

	Number of shares	%
Name of common shareholders:		
Tawoos LLC	42,538,025	14.237%
Truck Oman Oil & Gas Services SAOC.....	32,102,850	10.745%

Standard Chartered Private Equity Limited Subscription and Shareholders Agreement

On August 20, 2014, Standard Chartered Private Equity Limited ("SCPE") entered into a subscription agreement and a shareholders agreement (together, the "**Subscription and Shareholders Agreement**") with the Principal Shareholder, the Parent and the Company to purchase an equity stake in the Company for \$75.0 million. The Subscription and Shareholders Agreement were subsequently amended and supplemented on January 22, 2016 and December 19, 2016 to (i) reflect the transfer from SCPE to Standard Topaz Limited, an affiliate of SCPE, of a portion of the shares of the Company and (ii) the acquisition by SCPE and STL of some additional shares from the Parent. As of July 11, 2013, SCPE and STL collectively own 13.5% of the Company.

Pursuant to the Subscription and Shareholders Agreement, SCPE is entitled to appoint one director to the Board (the "**SCPE Director**"). Transfer of SCPE's rights under the Subscription and Shareholders Agreement to another shareholder, including the right to appoint the SCPE Director, is not subject to any minimum shareholding requirement. Except for Board Reserve Matters and Reserve Matters (as each is defined below), the authority to manage the day-to-day affairs of the Company may be delegated to the Company's CEO. Certain reserved matters, including the declaration of dividends, the approval of the Company's business plan and significant acquisitions and disposals (collectively, the "**Board Reserve Matters**"), require the approval of the SCPE Director and a majority of the Board. Furthermore, certain matters, such as increases in share capital, corporate reorganizations and amendments to the Company's constitutional documents (collectively, the "**Reserve Matters**"), require the approval of SCPE in its role as a shareholder and 75% of the shares of the Company. If a Board or shareholder resolution fails because of the SCPE Director, SCPE or its transferee's, as applicable, negative vote (a "**Deadlock**"), and appointees of the parties in conflict are unable to resolve the Deadlock, the Parent may compel SCPE or its transferee to sell its shares to the Parent or another permitted transferee (a "**Deadlock Sale**"). The share price in a Deadlock Sale is prescribed by the Subscription and Shareholder Agreement and will equal or exceed the amount that will yield an 8% internal rate of return on the shares.

The Subscription and Shareholders Agreement also sets out certain exit rights of the parties, including tag-along and drag-along rights and an option for the Parent to require SCPE and STL and their transferees to sell and transfer their

shares of the Company for the greater of (i) the proportionate equity value of the Company and (ii) an amount that will yield an 8% internal rate of return on the subscription amount. Between the fifth and sixth anniversary of the SCPE's purchase of shares in the Company, SCPE and STL and its transferees may request that Renaissance procure that the Parent repurchases all of SCPE's and STL's and its transferees shares for an amount that will yield an 8% internal rate of return on the subscription amounts. In the event the Parent does not accept such request, SCPE and STL may sell the shares of the Company in the market and require Renaissance to compensate them for the difference between the sale price and the initial subscription price plus the guaranteed 8% internal rate of return. Other than as provided by the Subscription and Shareholders Agreement, the Parent, SCPE and STL have agreed not to transfer any of their shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Shareholder Equity Investments and Loans

The Principal Shareholder has provided capital to the Company, via the Parent, through equity investments and short-term and long-term credit facilities. See “*Description of Certain Financing Arrangements.*”

As of March 31, 2017, an aggregate amount of \$78.6 million under three Shareholder Loans was owed by the Company to our Parent. The Shareholder Loans are back-to-back shareholder loans from the Principal Shareholder to the Parent which themselves are back-to-back loans from various commercial banks to the Principal Shareholder. Repayment of principal amounts under each of the Shareholder Loans is subject to the consent of the lenders under the CTA Facility and the Vessel Term Loan Facility. The Shareholder Loans are subordinated in right of payment to the Existing Notes in the event of default or insolvency.

Shareholder Loan A is in the amount of \$30.0 million (of which \$24.0 million was outstanding as of March 31, 2017) bearing interest at 7.0% per annum, payable on the last day of each calendar month. Shareholder Loan A may be repaid in installments of \$2.0 million on November 30 in each of 2017 and 2018 with a bullet payment of \$20.0 million on November 30, 2019. Shareholder Loan B is in the aggregate amount of \$104.0 million (of which \$41.6 million was outstanding as of March 31, 2017) bearing interest at 8.5% per annum. Shareholder Loan B is due on December 31, 2023 and (i) the first tranche may be repaid in quarterly installments of \$0.4 million in 2018 and quarterly installments of \$0.7 million thereafter; and (ii) the second tranche may be repaid in annual installments of \$3.2 million in 2017 and 2018 with five annual installments of \$3.9 million thereafter. Shareholder Loan C is in the amount of \$13.0 million (of which \$13.0 million was outstanding as of March 31, 2017) bearing interest at 8.5% per annum and matures on March 30, 2023. Shareholder Loan C may be repaid in installments of \$1.3 million on November 30 in each of 2019 and 2020, \$2.6 million in each of 2021 and 2022, and \$5.2 million in 2023. The aggregate amount of our Shareholder Loans outstanding as of the years ended December 31, 2014, 2015 and 2016 were \$106.0 million, \$104.0 million and \$80.6 million, respectively.

Other Relationships

From time to time, we may enter into contracts on an arm’s-length basis with entities that are indirectly or directly wholly owned by our joint venture partner, Transmarine. For example, we have certain contracts with Caspian Catering for the provision of catering services on some of our vessels in the Caspian Sea. Caspian Catering is indirectly wholly owned by our joint venture partner Transmarine. The contracts with Caspian Catering were entered into on an arm’s-length basis.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary does not purport to describe all of the terms and conditions of such financing arrangements, and therefore is qualified in its entirety by reference to the actual agreements.

Outstanding Credit Facilities

CTA Facility

Overview and Structure

The Company, as borrower, is party to a common terms agreement, dated April 30, 2015 and amended on September 22, 2016 and June 29, 2017, with, among others, certain financial institutions, as lenders, Standard Chartered Bank, as global facility agent, conventional facility agent, investment agent and security agent (as amended, the “**CTA Facility**”). The CTA Facility initially provided for a facility of up to \$550.0 million in aggregate principal amount, split among a tranche A of \$350.0 million (“**Tranche A**”), a tranche B of \$100.0 million (“**Tranche B**”) and a tranche C of \$100.0 million (“**Tranche C**”). The facilities comprise a conventional term loan facility (the “**Conventional Facility**”) and a murabaha facility (the “**Murabaha Facility**”), a form of Islamic financing arrangement. As of March 31, 2017, \$297.5 million remained outstanding under Tranche A, Tranche B had not been drawn and Tranche C had expired and was never drawn. Tranche B is currently undrawn. Our ability to draw under Tranche B is subject to the satisfaction of certain conditions precedent, including the provision of certain agreed assets as security.

Tranche A must be used (a) to repay all amounts due under the Company’s existing facilities and (b) for general corporate purposes. Tranche B must be used (a) in a maximum aggregate amount of \$75.0 million, to pay fees, costs and expenses relating to the CTA Facility, repay amounts due under any maturing loans or certain Murabaha contracts entered in respect of Tranche B and for general corporate purposes and (b) as capital expenditure.

Tranche A’s availability period is expiring at the earlier of (a) three months after the date of the CTA Facility or (b) the date on which Tranche A is fully utilized. Tranche B’s availability period is expiring at the earlier of (a) three months before the termination date of Tranche B and (b) the date on which Tranche B is fully cancelled. Tranche C’s availability period has expired and was never drawn.

Unless otherwise agreed with the Company, Tranche A terminates within seven years from the date of the CTA Facility and both Tranche B and Tranche C terminate within five years from the date of the CTA Facility.

Interest and Fees

Loans drawn under the Conventional Facility under Tranche A will bear interest at rates per annum equal to LIBOR plus a margin of 2.75% per annum. Sums made available under the Murabaha Facility under Tranche A will be subject to a profit amount calculated by reference to a formula including LIBOR plus a margin of 2.75% per annum. Loans drawn under the Conventional Facility under Tranche B will bear interest at rates per annum equal to LIBOR plus a margin of 2.75% per annum. Sums made available under the Murabaha Facility under Tranche B will be subject to a profit amount calculated by reference to a formula including LIBOR plus a margin of 2.75% per annum. Loans drawn under the Conventional Facility under Tranche C will bear interest at rates per annum equal to LIBOR plus a margin of (a) 3.75% per annum (from the date of the CTA Facility to the date of any Tranche C security notice) and (b) 2.75% per annum (on and from the date of any Tranche C security notice). Sums made available under the Murabaha Facility under Tranche C will be subject to a profit amount calculated by reference to a formula including LIBOR plus a margin of (a) 2.75% per annum (from the date of the CTA Facility to the date of any Tranche C security notice) and (b) 2.75% per annum (on and from the date of any Tranche C security notice).

The Company is required to pay customary agency fees to the agent in connection with the CTA Facility. Tranche A has been fully utilized, therefore, no commitment fee is payable. The Company shall pay a commitment fee to the agent in respect of Tranche B of an amount equal to 30% of the margin per annum on each Lender’s undrawn commitment during the Tranche B availability period. The commitment fee is payable on the last day of each successive three-month period of the Tranche B availability period.

Repayment

Tranche A of the CTA Facility will be repaid (in the case of the Conventional Facility) and reduced (in the case of the Murabaha Facility) by 20 quarterly payments of an amount equal to 2.1429% of the amount of Tranche A and 8 quarterly payments of an amount equal to 3.5714% of the amount of Tranche A. On the termination date for Tranche A the Company will also pay the an amount equal to the lower of the amount outstanding under Tranche A and 28.5708%

of the amount of Tranche A. Following any utilization of Tranche B of the CTA Facility, it will be due to be repaid (in the case of the Conventional Facility) and reduced (in the case of the Murabaha Facility) by a payment equal to the full amount of such utilization to be made at the end of the interest period applicable to the utilization (in the case of the Conventional Facility) or on the deferred payment date of the murabaha contract (in the case of the Murabaha Facility).

Voluntary Prepayment

The Company may prepay the whole or any part of any loan (in the case of the Conventional Facility) or an amount due under a Murabaha contract (in the case of the Murabaha Facility) if it gives the relevant agent under the CTA Facility not less than five business days' prior notice. Any such prepayment must be in a minimum amount of \$10.0 million and integral multiples of \$1.0 million.

With respect to Tranche A and Tranche C, a loan (in the case of the Conventional Facility) or an amount due under a Murabaha contract (in the case of the Murabaha Facility) in respect of Tranche A or Tranche C may only be prepaid after the end of Tranche A's availability period. Any prepayment amount for Tranche A and Tranche C must first satisfy the obligations under Tranche C, with the remaining amount, if any, applied to satisfy the obligations under Tranche A, ratably and on a pro rata basis.

Mandatory Prepayment

The mandatory provisions include, among other things:

- it becomes unlawful in any relevant jurisdiction for a financier to perform any of its obligations under the finance documents;
- a change of control as described under “—*Change of Control*” below; and
- any sale, loss, expropriation, confiscation, requisition, arrest, capture, seizure or detention of certain ships under the finance documents.

Change of Control

If there is any change in the ownership or rights in any of the share capital, or any other change of control of the Company or any of the Company's subsidiaries that is not an obligor, then (a) the Company must promptly notify the agents upon becoming aware of such event, (b) the lenders under the CTA Facility will not be obliged to fund a loan or accept any further loan requests under the CTA Facility and (c) if the lenders so require and notify the relevant agent within five days of the Company notifying the agents of such change of control event, the relevant agent must by not less than ten days' notice to the Company cancel the commitment of that lender and declare all applicable outstanding loans, together with accrued interest and all other amounts accrued under the relevant finance documents immediately due and payable. Notwithstanding the foregoing, no change of control will be deemed to have occurred with respect to the Company or any of the Company's subsidiaries that is not an obligor if the change in ownership is a result of a certain equity event as defined therein, Renaissance continues to hold at least 30% of the Company's issued shares, no other entity has control over the Company and no default has occurred and is continuing as a result of a change in ownership or control.

For purposes of this section, “control” of a company means (a) the power to cast or control the casting of more than 50% of the maximum number of votes that might be cast at a general meeting of that company, (b) the power to appoint or remove all, or the majority, of the directors or other equivalent officers of that company, or (c) the power to give directions with respect to the operating and financial policies of that company with which the directors or other equivalent officers of that company are obliged to comply.

Guarantees and Security

Certain subsidiaries and affiliates are required to provide a guarantee of all amounts payable to the finance parties under the CTA Facility.

In addition, the CTA Facility benefits from ship mortgages and assignment of revenues in respect of certain vessels described in the CTA Facility, which must maintain (subject to certain exceptions) a combined value at all times equal to or greater than 154% of the total participation of Tranche A, Tranche B and Tranche C, as applicable. In the event that the security pool value of the vessels exceeds the required percentage of the relevant total participations and no default has occurred and is continuing, the Company may request, through the security agent, to release a secured vessel from the security pool. In addition, the Company, BUE Bulkers Limited, BUE Caspian Limited, Doha Marine Services

WLL, Topaz Marine NIG Ltd and Topaz Marine Saudi Arabia Limited have pledged their revenue accounts in connection with the CTA Facility. All shares of the subsidiaries guaranteeing the CTA Facility, where legally possible, have been provided as security. In the event of a shortfall of the required 154% value of security, the security agent may request additional security (of any category, including shares) making the net realizable value of the additional security at least equal to the shortfall. Furthermore, if a new entity accedes to the CTA Facility, then security over the shares of such entity may be requested by the security agent.

Representations and Warranties

The CTA Facility contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, certified copies, governing law and enforcement, no insolvency, no deduction of tax, taxation, no filing or stamp taxes, no breach of law, no default, compliance with ISM Code, ISPS Code and Maritime Labour Convention 2006, compliance with environmental laws, no misleading information, financial statements, *pari passu* ranking, no pending or threatened proceedings, security and financial indebtedness, ranking, title to assets, legal and beneficial ownership, no adverse consequences, no change of ownership, insurance, broker's conditions, immunity, compliance with anti-corruption laws and sanctions and no hedging. Each obligor is deemed to repeat certain representations and warranties on the date of each loan request, on the date of each loan utilization and on the first day of each interest period.

Covenants

The CTA Facility contains certain financial covenants:

- Net debt to EBITDA ratio must not be greater than: 4.75 to 1.00 (from the first drawing date to and including June 30, 2015); 4.50 to 1.00 (from July 1, 2015 to and including December 31, 2016); 5.25 to 1.00 (from January 1, 2017 to and including December 31, 2017); 5.00 to 1.00 (from January 1, 2018 to and including June 30, 2018); 4.75 to 1.00 (from July 1, 2018 to and including December 31, 2018); and 4.00 to 1.00 (anytime thereafter);
- EBITDA to debt service ratio must be equal to or greater than 1:20 to 1:00 on and from June 30, 2015 at all times;
- Total free liquidity must be greater than \$30.0 million; and
- Tangible net worth must be greater than: \$500.0 million (from the drawing date to and including June 30, 2016); \$400.0 million (from July 1, 2016 to and including December 31, 2016); \$300.0 million (from January 1, 2017 to and including June 30, 2018); \$325.0 million (from July 1, 2018 to and including June 30, 2019); \$400.0 million (from July 1, 2019 to and including June 30, 2020); \$450.0 million (from July 1, 2020 to and including June 30, 2021); and \$500.0 million (anytime thereafter).

The CTA Facility also requires each obligor to observe certain affirmative and negative covenants (subject to certain exceptions and qualifications), including covenants relating to maintenance of authorizations, compliance with laws (including environmental laws), maintenance of status and conduct of business, maintenance of *pari passu* ranking of the CTA Facility and restrictions on certain activities, such as financial indebtedness, loans, credits, pledges and acquisitions, restrictions on disposal of assets, restrictions on merger or joint venture, restrictions on changes to shareholding, restrictions on dividends and other distributions, restrictions on amendments, supplements and alteration or variation to the indenture.

The CTA Facility contains an information covenant under which, among other things, the Company is required to deliver to the agent annual financial statements, quarterly financial statements and compliance certificates.

Events of Default

The CTA Facility contains the following customary events of default, including:

- nonpayment of amounts due under the finance documents;
- breach of the financial covenants;
- failure to maintain security;

- breach of other obligations under the finance documents;
- cross-default;
- insolvency;
- expropriation, attachment, sequestration, distress, commercial rent arrears recovery or execution of any analogous process;
- change of ownership of obligors;
- failure to fulfill any required consents;
- rescission of finance documents;
- enforcement of security on any obligor's assets;
- material adverse change;
- litigation, arbitration, administrative, governmental, regulatory or other investigations proceedings or disputes commenced or threatened in relation to the finance documents;
- arrest of any ship under the CTA Facility; and
- failure to register the ships under the CTA Facility or challenges to such registration.

Governing Law

The CTA Facility is governed by and construed in accordance with English law.

Vessel Term Loan Facility

Overview and Structure

The Company is party to a Term Loan Facility agreement, dated September 15, 2016 and amended on July 6, 2017, with, among others, the Parent, TEAM VI Limited and TEAM XLVI Limited, as borrowers and guarantors (the “**HSBC Borrowers**”), HSBC Bank plc, as arranger, facility agent and export credit agency coordinator, and HSBC Corporate Trustee Company (UK) Limited, as security agent (as amended, the “**Vessel Term Loan Facility**”). Subject to the terms of the Vessel Term Loan Facility, the HSBC Borrowers may draw loans in a maximum aggregate principal amount outstanding not exceeding \$84.0 million.

Each HSBC Borrower must use all amounts borrowed under the Vessel Term Loan Facility towards the payment of delivery instalments in respect of the vessels Topaz Tiamat and Topaz Tangaroa purchased from the shipyard of Vard Group AS in accordance with the terms of the applicable shipbuilding contracts (the “**Shipbuilding Contracts**”). We originally agreed to take delivery of the two vessels to be financed by the Vessel Term Loan Facility on July 10, 2017 and November 30, 2017, respectively, and this would have required us to draw under the Vessel Term Loan Facility on or about these dates. We have reached an oral agreement to delay delivery of these vessels until at least 2018; however, the contract reflecting the extended delivery dates have not yet been finalized. See “*Risk Factors—Risks Related to Our Business and Industry—We may be unable to execute our growth strategy effectively.*”

Garantiinstituttet for Eksportkreditt (“**GIEK**”), a Norwegian state-owned guarantee provider, is providing guarantees in favor of the security agent up to 80% of the outstanding amount of the Vessel Term Loan Facility (the “**GIEK Guarantee**”). GIEK has agreed to provide the guarantees as the vessels are under construction in Norway.

Unless otherwise agreed with the Company, the termination date in relation to the financing for each ship is ten years from the utilization date in respect of the loan requested for such ship.

Interest and Fees

Loans under the Vessel Term Loan Facility will bear interest at rates per annum equal to LIBOR plus a margin of 0.875% per annum. The relevant HSBC Borrower may select an interest period when requesting a loan, and the default interest period is three months. No loans have yet been drawn under this facility.

The HSBC Borrowers are required to pay customary agency fees to the agent in connection with the Vessel Term Loan Facility. The HSBC Borrowers are also required to pay an arrangement fee to the arranger and fees related to the GIEK Guarantee to the agent in connection with the Vessel Term Loan Facility.

The HSBC Borrowers are required to pay a commitment fee to the agent (on account of each Lender) computed at the rate of 0.25% per annum on that Lender's available commitment for the duration of the period from October 1, 2015 until the end of the availability period. The fee is payable on the last day of each successive period of three months from October 1, 2015 which ends during the availability period.

GIEK commitment fees are computed at the rate of 0.25% per annum on 80% of the available facility for the duration of the period from October 1, 2015 to the end of the availability period and payable to GIEK. GIEK is due commitment fee payments on the last day of each successive period of three months from October 1, 2015 which ends during the availability period.

The Borrower must also pay the GIEK premium, which is the credit insurance premium fee in an amount computed at the rate of 1.20% per annum on the outstanding GIEK Guarantee and payable to GIEK. The borrowers will pay to the agent for the account of GIEK, the accrued GIEK premium at the same time interest is paid under the loan.

Repayments

Each loan must be repaid on the close of business on the final day of the relevant repayment period. Within three months after a loan is drawn, the applicable HSBC Borrower must repay 2.5% of the aggregate amount of such loan outstanding. On every three months thereafter, the applicable HSBC Borrower must repay 2.5% of the aggregate amount of such loan outstanding until the termination date. All outstanding amounts under the Vessel Term Loan Facility must be repaid on the termination date which is ten years from the date on which a loan is drawn in respect of delivery instalments under the applicable Shipbuilding Contract.

Change of Control

If there is any change in the ownership or rights in any of the share capital, or any other change of control of the Company or the Parent, then (a) the Company must promptly notify the agents under the Vessel Term Loan Facility upon becoming aware of such event, (b) a lender under the Vessel Term Loan Facility will not be obliged to fund a loan and (c) if the "**Majority Lenders**" (defined as a lender or lenders whose commitments aggregate more than $66\frac{2}{3}\%$ of the total commitments) so require, the agent must notify the Company within ten business days and cancel the total commitments under the Vessel Term Loan Facility and declare all outstanding loans thereunder, together with accrued interest, and all other amounts accrued under the related finance documents immediately due and payable.

For purposes of this section, "control" of the Company or the Parent means (a) the power to cast or control the casting of more than 50% of the maximum number of votes that might be cast at a general meeting of the Company or the Parent, (b) the power to appoint or remove all, or the majority, of the directors or other equivalent officers of the Company or the Parent, (c) the power to give directions with respect to the operating and financial policies of the Company or the Parent with which the directors or other equivalent officers of the Company or the Parent are obliged to comply, or (d) the holding of more than 50% of the issued share capital of the Company or the Parent.

Voluntary Prepayment

The HSBC Borrower may prepay the whole or any part of any loan if it gives the agent under the Vessel Term Loan Facility not less than 30 business days' prior notice and such prepayment is approved by GIEK. Any such prepayment, if made in part, must be in a minimum amount of \$500,000 and integral multiples of \$500,000.

Mandatory Prepayment

If the GIEK Guarantee (a) lapses pursuant to its terms, (b) otherwise ceases to remain in full force and effect, (c) is terminated, cancelled, repudiated or suspended for any reason or (d) is modified in a manner considered by the Majority Lenders, or any event occurs or circumstances arise which could, in the opinion of the Majority Lenders, reasonably be expected to jeopardize the validity of the GIEK Guarantee, then the agent must, as soon as reasonably practicable after it becomes aware of such event, by not less than 10 business days' notice to the Company and the HSBC Borrowers, declare that all commitments under the Vessel Term Loan Facility are cancelled and the loans together with accrued interest, and all other amounts accrued under the related finance documents, including any associated break costs are immediately due and payable.

In the event of a sale of a ship under the relevant Shipbuilding Contracts, the relevant HSBC Borrower must deposit the proceeds from such sale with the agent. In the event of a loss, expropriation, confiscation, requisition, arrest, capture, seizure or detention of the ship, the relevant HSBC Borrower must deposit the related insurance proceeds with the agent. The agent must apply the proceeds of any such sale or insurance proceeds to prepay the loan related to such ship.

Guarantees and Security

The Company and the Parent (and any additional guarantors) are required to provide a guarantee of all amounts payable to the finance parties under the Vessel Term Loan Facility.

In addition, once a loan has been drawn, the Vessel Term Loan Facility benefits from mortgages and (where relevant) deeds of covenant in respect of the Topaz Tiamat and Topaz Tangaroa being financed under the Vessel Term Loan Facility. Each vessel must maintain (subject to certain exceptions) a value at all times equal to or greater than 125% of the total loan in respect of that ship.

Representations and Warranties

The Vessel Term Loan Facility contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, certified copies, governing law and enforcement, no insolvency, no deduction of tax, taxation, no filing or stamp taxes, no breach of law, no default, compliance with ISM Code, ISPS Code and Maritime Labour Convention 2006, compliance with environmental and social laws, no misleading information, financial statements, *pari passu* ranking, no pending or threatened proceedings, security and financial indebtedness, ranking, title to assets, legal and beneficial ownership, no adverse consequences, no change of ownership, no other business, liabilities or obligations, insurance, immunity, compliance with anti-corruption laws and sanctions and no hedging. Each obligor is deemed to repeat certain representations and warranties on the date of each loan request, on the date of each loan utilization and on the first day of each interest period.

Covenants

The Vessel Term Loan Facility contains certain financial covenants:

- Net debt to EBITDA ratio must not be greater than: 5.25 to 1.00 (from January 1, 2017 to and including December 31, 2017); 5.00 to 1.00 (from January 1, 2018 to and including June 30, 2018); 4.75 to 1.00 (from July 1, 2018 to and including December 31, 2018); and 4:1 thereafter
- EBITDA to debt service ratio must be equal to or greater than 1.2 to 1.0;
- Total free liquidity must be greater than \$30.0 million; and
- Tangible net worth must be greater than: \$300.0 million (from the first testing date to and including June 30, 2018); \$325.0 million (from July 1, 2018 to and including June 30, 2019); \$400.0 million (from July 1, 2019 to and including June 30, 2020); \$450.0 million (from July 1, 2020 to and including June 30, 2021); and \$500.0 million thereafter.

The Vessel Term Loan Facility also requires each obligor to observe certain affirmative and negative covenants (subject to certain exceptions and qualifications), including covenants relating to maintenance of authorizations, compliance with laws (including environmental laws), maintenance of status and conduct of business, maintenance of *pari passu* ranking of the Vessel Term Loan Facility and restrictions on certain activities, such as merger or joint venture, acquisitions, loans, dividends, share redemption and restrictions on changes to shareholding.

The Vessel Term Loan Facility contains an information covenant under which, among other things, the Company is required to deliver to the agent annual financial statements, quarterly financial statements and compliance certificates.

Events of Default

The Vessel Term Loan Facility contains the following customary events of default, including:

- nonpayment of amounts due under the finance documents;

- breach of the financial covenants;
- failure to maintain security;
- breach of other obligations under the finance documents;
- cross-default;
- insolvency;
- expropriation, attachment, sequestration, distress, commercial rent arrears recovery or execution of any analogous process;
- change of ownership of obligors;
- rescission of finance documents;
- enforcement of security on any obligor's assets;
- litigation, arbitration, administrative, governmental, regulatory or other investigations proceedings or disputes commenced or threatened in relation to the finance documents;
- arrest of any ship under the Shipbuilding Contracts;
- failure to register the ships under the Shipbuilding Contracts or challenges to such registration;
- material adverse change;
- failure to fulfill any required consents; and
- breach of any bareboat charter executed by the HSBC Borrowers in connection with the Shipbuilding Contracts.

If the GIEK Guarantee lapses, this will result in the cancellation of all commitments of the loans and the immediate acceleration of the loans, together with accrued interest and all other amounts accrued under the finance documents (with break costs) due and payable.

Governing Law

The Vessel Term Loan Facility is governed by and construed in accordance with English law.

Standard Chartered Guarantee Facility

Overview and Structure

The Company, as borrower, is party to a guarantee facility agreement, dated May 3, 2014 as supplemented on May 14, 2015 and further on April 20, 2017, and as amended on July 5, 2017, with Standard Chartered Bank, as lender (as supplemented and amended, the “**SC Guarantee Facility**”). The SC Guarantee Facility provides for a bond and guarantee and letter of credit facility of \$28.0 million in aggregate principal amount.

Interest and Fees

The Company is required to pay customary agency fees to the agent in connection with the SC Guarantee Facility.

Events of Default

The SC Guarantee Facility contains the following events of default:

- nonpayment of amounts due under the finance documents;
- breach of obligations under the finance documents;

- misrepresentation;
- cross-default;
- insolvency and any insolvency proceedings;
- creditors' process and judgments;
- unlawfulness;
- repudiation of the finance documents; and
- material adverse change.

Representations and Warranties

The SC Guarantee Facility contains certain customary representations and warranties (subject to certain exceptions and qualifications), including status and incorporation, binding obligations, no conflicts with applicable laws or constitutional documents, corporate power and authority, admissibility of evidence, recognition and enforcement of judgments, no filing or stamp taxes, no default under the finance documents, fair summary of the financial statements delivered to Standard Chartered Bank, no litigation, taxes, valid security interests, immunity and no environmental claims. The Company is deemed to make the same representations and warranties at all times when any amounts under the SC Guarantee Facility remains outstanding.

Covenants

The SC Guarantee Facility also requires each obligor to observe certain affirmative and negative covenants (subject to certain exceptions and qualifications), including covenants relating to:

- authorizations and compliance with laws;
- maintenance of *pari passu* ranking;
- restrictions on disposals of assets and acquisitions;
- restrictions on financial indebtedness; and
- restrictions on change of business.

The SC Guarantee Facility contains an information covenant under which, among other things, the Company is required to deliver to Standard Chartered Bank annual financial statements, quarterly financial statements and any other documents that Standard Chartered Bank may reasonably request.

Governing Law

The SC Guarantee Facility is governed by and construed in accordance with English law.

HSBC Guarantee Facility

Overview and Structure

The Company, as borrower, is party to a facility agreement, dated June 27, 2016, with HSBC Bank Middle East Limited, as lender (the “**HSBC Guarantee Facility**”). The HSBC Guarantee Facility provides for a facility of AED 38,561,250 (\$10,507,152.59 equivalent) in aggregate principal amount. The HSBC Guarantee Facility's availability period is 36 months from the date of the agreement.

Interest and Fees

HSBC Bank Middle East Limited may, from time to time, adjust the chargeable interest rates in accordance with the rates announced by the relevant central bank or reference rate administrator. The Company is required to pay customary agency fees to the agent in connection with the HSBC Guarantee Facility.

Security

Any labour guarantees issued under the HSBC Guarantee Facility shall be secured by 100% cash collateral.

Representations and Warranties

The HSBC Guarantee Facility contains certain customary representations and warranties (subject to certain exceptions and qualifications), including status and incorporation, corporate power and authority, no conflicts with applicable laws, due authorization, recognition and enforcement of judgments, no stamp duties, no insolvency, compliance with applicable anti-corruption laws, marketable title, *pari passu* ranking, no material litigation or similar proceedings, no material adverse effect, admissibility of evidence and no misleading information. The Company is deemed to make the same representations and warranties every day during the availability period when any amounts under the HSBC Guarantee Facility remains outstanding.

Covenants

The HSBC Guarantee Facility requires the Company to observe certain affirmative and negative covenants including compliance with applicable anti-corruption laws and restrictions from use of the proceeds of the HSBC Guarantee Facility for any purpose in breach of the United Kingdom Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other jurisdictions.

Governing Law

The HSBC Guarantee Facility is governed by and construed in accordance with the laws of the Emirates of Dubai.

Shareholder Loans

As of July 11, 2017, an aggregate amount of \$78.6 million in three Shareholder Loans was owed by the Company to our Parent. The Shareholder Loans are subordinated in right of payment to the Existing Notes in the event of default or insolvency. Repayment of principal amounts under each of the Shareholder Loans is subject to the consent of the lenders under the CTA Facility and the Vessel Term Loan Facility.

Shareholder Loan A is in the amount of \$30.0 million (of which \$24.0 million was outstanding as of March 31, 2017) bearing interest at 7.0% per annum, payable on the last day of each calendar month. Shareholder Loan A may be repaid in installments of \$2.0 million on November 30 in each of 2017 and 2018 with a bullet payment of \$20.0 million on November 30, 2019. Shareholder Loan B is in the aggregate amount of \$104.0 million (of which \$41.6 million was outstanding as of March 31, 2017) bearing interest at 8.5% per annum. Shareholder Loan B is due on December 31, 2023 and (i) the first tranche may be repaid in quarterly installments of \$0.4 million in 2018 and quarterly installments of \$0.7 million thereafter; and (ii) the second tranche may be repaid in annual installments of \$3.2 million in 2017 and 2018 with five annual installments of \$3.9 million thereafter. Shareholder Loan C is in the amount of \$13.0 million (of which \$13.0 million was outstanding as of March 31, 2017) bearing interest at 8.5% per annum and matures on March 30, 2023. Shareholder Loan C may be repaid in installments of \$1.3 million on November 30 in each of 2019 and 2020, \$2.6 million in each of 2021 and 2022, and \$5.2 million in 2023.

The Shareholder Loans are governed by the laws of the Sultanate of Oman.

The Shareholder Loans are back-to-back shareholder loans from the Principal Shareholder to the Parent which themselves are back-to-back loans from various commercial banks to the Principal Shareholder.

NOTES ON DEFINED TERMS

“ABB”	ABB AB (High Voltage Cables).
“AED”	United Arab Emirates dirham.
“Agip” or “Agip KCO”	Agip Kazakhstan North Caspian Operating Company N.V.
“AIOC”	Azerbaijan International Operating Company.
“Anticipated Fleet Average Age”	Our fleet average age as adjusted to give pro forma effect to the addition of 23 vessels under construction by assuming each of the 23 vessels were delivered on the date for which such metrics were calculated, and that the age of the additional vessels was 0.0 years on this date.
“Bermuda”	The Islands of Bermuda.
“BP”	BP Exploration (Caspian Sea) Limited.
“CAGR”	Compound annual growth rate.
“cold stacked”	Vessels that have been laid up with minimal or no crew and are not available for prompt deployment.
“Company”	Topaz Energy and Marine Limited.
“core assets”	Our AHTSVs, PSVs, MPSVs and ERRVs. Our core fleet in the Caspian region is comprised of the Topaz Arrow, the DMS-2000, the Jura, the Islay, the Caspian Pride, the Fortress, the Citadel, the Baki, the Caspian Challenger, the Caspian Supplier, the Caspian Endeavour, the Caspian Server, the Caspian Qala, the Caspian Provider, the Caspian Reliance, the Resolve (for purposes of calculating regional financial information contained in this Corporate Presentation), the Caspian Supporter, the Caspian Power, the Topaz Jurong, the Topaz Johor, the Caspian Protector, the Topaz Dignity, the Topaz Triumph, the Caspian Voyager, the Tulpar, the Topaz Glory, and the Topaz Legend. Our core fleet in MENA and Subsea is comprised of the Topaz Installer, the Topaz Commander, the Topaz Captain, the Topaz Resolve, the Topaz Salalah, the DMS Conqueror, the DMS Fortune, the Topaz Rayyan, the DMS Challenger III, the Topaz Addax, the Topaz Jumeirah, the Topaz Jebel Ali, the Topaz Jafiliya, the Topaz Karzakkan, the DMS Challenger II, the Topaz Khobar, the Topaz Khuwair, the Topaz Khalidiya, the Topaz Karama, the Topaz Mamlaka, the Topaz Shaheen, the Topaz Responder, the DMS Challenger, the Topaz Oryx, the DMS Courageous, the Topaz Jaddaf and the Topaz Khubayb. Our core fleet in Africa consists of the Topaz Xara, the Topaz Isra, the Topaz Amani, the Topaz Sophie, the Topaz Seema, the Topaz Faye and the Topaz Megan.
“CTA Facility”	The common terms agreement, dated April 30, 2015 and as amended on September 22, 2016 and as further amended on June 29, 2017, by and among the Company, certain financial institutions, as lenders, and Standard Chartered Bank, as global facility agent, conventional facility agent, investment agent and security agent. The CTA Facility provides for a facility of \$550.0 million in aggregate principal amount, split among a tranche A of \$350.0 million (“ Tranche A ”), a tranche B of \$100.0 million (“ Tranche B ”) and a tranche C of \$100.0 million, which has expired as of July 11, 2017 (“ Tranche C ”). See “ <i>Description of Certain Financing Arrangements.</i> ”
“DESSC”	Deep Sea Supply Plc, which merged into Solstad Farstad ASA on June 21, 2017.
“EEA”	The European Economic Area.
“Effective utilization rate”	The extent to which vessels in the industry are actively employed (excluding layups), calculated by the total demand of vessels divided by the available supply of vessels (excluding layups) for that period.
“EU”	The European Union.
“Existing Indenture”	The indenture governing the Existing Notes among, <i>inter alios</i> , Topaz Marine S.A., the guarantors (defined therein) and Citibank, N.A., London Branch, dated November 4, 2013, as amended and supplemented from time to time.
“Existing Notes”	The \$350,000,000 8.625% Senior Notes due 2018 issued by Topaz Marine S.A. on November 4, 2013.
“Farstad”	Farstad Shipping ASA, which merged into Solstad Farstad ASA on June 21, 2017.
“GDP”	Gross Domestic Product.
“Havila”	Havila Shipping.
“Hornbeck”	Hornbeck Offshore Services.
“HSE”	Health, safety and environmental.
“IAS 34”	International Accounting Standards 34, “Interim Financial Reporting.”
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board.

“industry peers”	DESSC, Tidewater, Farstad, GulfMark Offshore Inc., Hornbeck, Solstad, Siem Offshore, Havila and Bourbon Offshore. Industry peers exclude certain of our competitors including those whose financial information is not available. See “ <i>Presentation of Financial and Other Information—Industry Data</i> ” for more information.
“IOC”	International oil company.
“IRM”	Inspection, repair and maintenance.
“KMTF”	NMSC “Kazmortransflot” LLP.
“large OSVs”	PSVs, AHTSVs over 5000 bhp and MPSVs over 5000 bhp.
“Luxembourg”	The Grand Duchy of Luxembourg.
“Maersk Oil Qatar”	Maersk Oil Qatar A/S.
“Marshall Islands”	The Republic of the Marshall Islands.
“McDermott”	McDermott Arabia Co. Ltd.
“Member State”	A member state of the EEA.
“MENA”	Middle East and North Africa.
“Moody’s”	Moody’s Investors Service, Inc. and its successors.
“NOC”	National oil company.
“Occidental Petroleum” or “Oxy”	Occidental Petroleum of Qatar Ltd.
“Oman”	The Sultanate of Oman.
“Omani Rial”	The lawful currency of the Sultanate of Oman.
“OSV”	Offshore Support Vessel and, when referring to our fleet, includes AHTSVs, PSVs, MPSVs, ERRVs specialized barges, crew boats and other vessels.
“Parent”	Topaz Energy & Marine Limited, the parent of the Company.
“Peer Group”	Siem Offshore, Solstad and Farstad but excluding certain competitors whose financial information is not publically available. See “ <i>Presentation of Financial and Other Information—Industry Data</i> ” for more information.
“Petrobras”	Petróleo Brasileiro S.A.—Petrobras.
“Renaissance” or “Principal Shareholder”	Renaissance Services SAOG, our principal shareholder.
“RIWS”	Russian Inland Waterway System.
“S&P”	Standard & Poor’s Ratings Group and its successors.
“Saipem”	Saipem Asia Branch Office or Saipem Asia SDN BHD.
“Saudi Aramco”	Saudi Arabian Oil Company.
“Shareholder Loan A”	The \$30.0 million subordinated loan from our Parent, pursuant to a facility agreement dated October 2, 2013, as amended on October 10, 2013 and July 5, 2017, as described in more detail under “ <i>Description of Certain Financing Arrangements—Shareholder Loans.</i> ”
“Shareholder Loan B”	The \$104.0 million subordinated loan from our Parent, pursuant to a facility agreement dated October 2, 2013, as amended on October 10, 2013 and July 5, 2017, as described in more detail under “ <i>Description of Certain Financing Arrangements—Shareholder Loans.</i> ”
“Shareholder Loan C”	The \$13.0 million subordinated loan from our Parent, pursuant to a facility agreement dated July 5, 2017, as amended on July 9, 2017, as described in more detail under “ <i>Description of Certain Financing Arrangements—Shareholder Loans.</i> ”
“Shareholder Loans”	Shareholder Loan A together with Shareholder Loan B and Shareholder Loan C.
“Solstad”	Solstad Offshore ASA, which combined with Farstad and DESSC to form Solstad Farstad ASA on June 21, 2017.
“TCO”	Tengizchevroil LLP.
“TCO Future Growth Project”	“TCO Future Growth Project” has the meaning assigned to it in “ <i>Overview of Topaz—Overview.</i> ”
“Total”	Total E&P Qatar.
“Transmarine”	Trans Marine United Shipping Limited, our joint venture partner in Azerbaijan.
“UAE”	The United Arab Emirates.
“United States” or “U.S.”	The United States of America, its territories and possessions, any state of the United States and the District of Columbia.
“USD,” “U.S. dollar” or “\$”	The lawful currency of the United States.
“we,” “us,” “our,” the “Group” and “our Group”	The Company and its subsidiaries, unless the context otherwise requires.
“Vard”	Vard Group AS.
“Vessel Term Loan Facility”	The term loan facility agreement, originally dated September 15, 2016 and as amended on July 6, 2017 with, among others, the Parent, TEAM VI Limited and TEAM XLVI Limited, as borrowers and guarantors, HSBC Bank plc, as arranger,

facility agent and export credit agency coordinator, and HSBC Corporate Trustee Company (UK) Limited, as security agent. See “*Description of Certain Financing Arrangements.*”

TECHNICAL GLOSSARY

The following technical terms used in this Corporate Presentation have the meanings assigned to them below (unless the context requires otherwise):

“AHTs”	Anchor Handling Tug Vessels.
“AHTSVs” or “anchor handling tug supply vessels”	Vessels designed for anchor handling and towing offshore platforms, barges, production modules and other vessels.
“anchor handling”	The ability to facilitate positioning of the anchor of a unit or vessel such as an offshore drilling unit or pipe-laying barge.
“bareboat” or “bareboat charter”	The lease or hire of a vessel under which responsibility for the crew, maintenance, equipment and insurance passes to the lessee.
“barrel(s)”	A unit of volume measurement used for petroleum and its products.
“bhp”	Brake horsepower.
“Brent Crude Oil”	A type of crude oil commonly used as an oil price benchmark.
“cabotage”	The transport of goods or passengers between two points in the same country by a vessel registered in another country.
“cold stacked”	Vessels that have been laid up with minimal or no crew and are not available for prompt deployment.
“crew boat”	A vessel designed for transferring personnel and limited amounts of cargo from shore to offshore installations and between offshore installations.
“dry-docking”	The 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 using external propulsion synchronized by computer programming, within which the terms “DP1,” “DP2” and “DP3” denote increasing degrees of system reliability.
“ERRVs” or “emergency recovery and response vessels”	Vessels designed to provide safety support to an offshore installation, typically equipped with fast rescue, firefighting and oil recovery facilities.
“field”	A geographical area defined by the boundary of an underlying oil or gas accumulation, usually used in the context of a producing oil field.
“flag state”	The state under whose laws a commercial vessel is registered or licensed, and whose flag it flies, and who has responsibility for the implementation and enforcement of international maritime regulations.
“gas-condensate”	A low-density mixture of hydrocarbon liquids that are present as gaseous components in the raw natural gas produced from many natural gas fields.
“hydrocarbon”	A compound containing the elements hydrogen and carbon and existing as a solid, a liquid or a gas.
“IOC”	International oil company.
“IRM”	Inspection, repair and maintenance.
“laid-up vessels”	Ships that are temporarily idle due to a lack of charters. Ships are laid-up when charter yields are not sufficient to cover the running costs. During economic downturns, the shipping industry, across segments, has historically laid up ships as a preference to an outright sale of the ship, due to value declines. Laying up vessels is a proactive measure taken by companies to reduce costs and often involves the release of crew members, reduced insurance payments and the non-maintenance of class papers.
“lay-up time”	The period of time when a vessel is stored or docked until operations are resumed and operating expenditures of the vessel are greatly reduced.
“LNG”	Liquefied natural gas.
“LTI” or “lost time incident”	An incident leading to an injury as a result of which the injured party cannot return to work within 24 hours of the incident.
“LTIF” or “lost time incident frequency”	The number of LTIs occurring per 1,000,000 man hours worked.
“MCVs”	Module Carrying Vessels.
“MPSVs” or “multi-purpose support vessels”	Multi-purpose vessels designed to support a range of offshore activities.
“NOC”	National oil company.
“off-hire”	A vessel that is idle without a charter but fully operational and ready for commencement of operations.
“OSVs”	Offshore support vessels.
“port dues”	Berthage payments owed in respect of a vessel in port.
“PSVs” or “platform supply vessels”	Vessels designed for transporting supplies and equipment to and from offshore installations.
“tons”	Metric tons.

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Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

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Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Unaudited interim condensed consolidated statement of profit or loss and other comprehensive income
for the three month period ended 31 March 2017

	Notes	Three month ended 31-Mar-17 US\$'000	Three month ended 31-Mar-16 US\$'000
Revenue	6	58,211	77,707
Cost of revenue		(37,337)	(47,472)
Gross profit		20,874	30,235
General and administrative expenses		(6,672)	(8,689)
Profit from operations		14,202	21,546
Finance costs—net	7	(13,865)	(14,568)
Profit before income tax		337	6,978
Income tax expense	8	(3,715)	(5,015)
(Loss)/profit for the period		(3,378)	1,963
Other comprehensive income		—	—
Total comprehensive (loss)/income for the period		(3,378)	1,963
<i>Total comprehensive (loss)/income attributable to:</i>			
Owners of the Company		(9,056)	(4,274)
Non-controlling interests		5,678	6,237
Total comprehensive (loss)/income for the period		(3,378)	1,963
Basic and diluted (loss)/income per share (US\$)	9	(0.01)	0.01

Director

Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Unaudited interim condensed consolidated statement of financial position
as at 31 March 2017

	Notes	31 March 2017 US\$'000	31 December 2016 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,238,070	1,198,912
Intangible assets and goodwill	11	28,865	28,674
Long-term receivables and prepayments		11,273	930
Deferred tax assets		7,212	7,212
Total non-current assets		<u>1,285,420</u>	<u>1,235,728</u>
Current assets			
Inventories	14	6,795	5,689
Accounts receivable and prepayments	12	71,110	109,565
Due from related parties	13	14,953	16,747
Cash and cash equivalents	15	57,207	39,459
Total current assets		<u>150,065</u>	<u>171,460</u>
Total Assets		<u><u>1,435,485</u></u>	<u><u>1,407,188</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	284,720	284,720
Share premium		46,796	46,796
Accumulated losses		(33,607)	(24,551)
Equity attributable to Owners of the Company		297,909	306,965
Non-controlling interests		161,590	155,912
Total equity		<u>459,499</u>	<u>462,877</u>
Liabilities			
Non-current liabilities			
Term loans	17	608,452	614,996
Loans due to Ultimate Holding Company	18	71,346	73,346
Employees' end-of-service benefits	19	3,559	3,529
Accounts payable and accruals	20	177,334	112,051
Total non-current liabilities		<u>860,691</u>	<u>803,922</u>
Current liabilities			
Accounts payable and accruals	20	55,997	81,067
Term loans	17	30,000	30,000
Loans due to Ultimate Holding Company	18	7,254	7,254
Due to a related party	13	—	187
Income tax payable	8	22,044	21,881
Total current liabilities		<u>115,295</u>	<u>140,389</u>
Total liabilities		<u>975,986</u>	<u>944,311</u>
Total Equity and Liabilities		<u><u>1,435,485</u></u>	<u><u>1,407,188</u></u>

Director

Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Unaudited interim condensed consolidated statement of cash flows
for the three month period ended 31 March 2017

	Three month ended 31 March 2017	Three month ended 31 March 2016
	US\$'000	US\$'000
Profit before income tax	337	6,978
Adjustments to reconcile profit before tax to net cash flows:		
Provision for employees' end-of-service benefits	318	66
Finance costs—net	13,865	14,568
Depreciation and amortisation	17,010	18,173
Amortisation of mobilisation costs	60	705
Operating cash flows before changes in operating assets and liabilities . .	31,590	40,490
Increase in inventories	(1,106)	(8)
Decrease in accounts receivables, prepayments and other assets	28,112	7,211
Increase in accounts payable, accruals and other liabilities	33,223	5,696
Decrease/(increase) in due from related parties	1,794	(443)
(Decrease)/increase in due to related parties	(187)	2,020
Cash generated from operations	93,426	54,966
Income tax paid	(3,552)	(5,115)
Employees' end-of-service benefits paid	(288)	(113)
Net cash flows generated by operating activities	89,586	49,738
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,134)	(15,229)
Purchase of intangible assets	(285)	(225)
Net cash flows used in investing activities	(56,419)	(15,454)
Cash flows from financing activities		
Loans borrowed	—	13,000
Loans paid	(7,500)	(7,500)
Interest paid	(5,919)	(6,024)
Repayment of loan due to Ultimate Holding Company	(2,000)	(14,027)
Net cash flows used in financing activities	(15,419)	(14,551)
Increase in cash and cash equivalents	17,748	19,733
Cash and cash equivalents at 1 January	39,459	55,069
Cash and cash equivalents at 31 March	57,207	74,802

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Unaudited interim condensed consolidated statement of changes in equity
for the three month period ended 31 March 2017

	Attributable to Owners of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016	284,720	46,796	101,363	432,879	141,076	573,955
Total comprehensive (loss)/income for the period	—	—	(4,274)	(4,274)	6,237	1,963
Balance at 31 March 2016	284,720	46,796	97,089	428,605	147,313	575,918
Balance at 1 January 2017	284,720	46,796	(24,551)	306,965	155,912	462,877
Total comprehensive (loss)/income for the period	—	—	(9,056)	(9,056)	5,678	(3,378)
Balance at 31 March 2017	284,720	46,796	(33,607)	297,909	161,590	459,499

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017

1. Establishment and operations

Topaz Energy and Marine Limited (the “Company”) is a limited liability company incorporated in Bermuda. The Company is a subsidiary of Topaz Energy and Marine Limited (the “Holding Company”), an Offshore company registered in the Jebel Ali Free Zone. During 2015, the Company changed its name from Nico Middle East Limited. 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 interim condensed consolidated financial information for the three month period ended 31 March 2017 comprises the Company and its subsidiaries (together referred to as the “Group” and individually as “Group 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. Application of new and revised International Financial Reporting Standards (IFRS)

New and revised IFRSs applied with no material effect on the interim condensed consolidated financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these interim condensed consolidated financial information. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014–2016 Cycle—Amendments to IFRS 12 *Disclosure of Interests in Other Entities*.

3. Basis of preparation

Statement of compliance

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standard Board (IASB). There has been no impact of seasonality or cyclicity of interim operations on the interim condensed consolidated financial information.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC).

Basis of measurement

The interim condensed consolidated financial information is prepared under the historical cost convention, modified to include the measurement at fair value of derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The interim condensed consolidated financial information is presented in United States Dollars (US\$) which is the Group’s presentation currency and the Company’s functional currency. The Group’s

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

3. Basis of preparation (Continued)

subsidiaries may have functional currencies other than US\$, in which case the respective local currency is the functional currency.

A significant proportion of the Group's assets, liabilities, income and expenses are denominated in US\$ and AED. AED is currently pegged at approximately AED 3.67 equals to US\$ 1. All values are rounded to the nearest thousand except where otherwise indicated.

4. Significant accounting policies

The accounting policies adopted in the preparation of interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2016.

6. Revenue

	Three month ended 31-Mar-17	Three month ended 31-Mar-16
	US\$'000	US\$'000
Charter and other revenues from marine vessels	58,123	76,690
Income from mobilization of marine vessels	88	1,017
	<u>58,211</u>	<u>77,707</u>

7. Finance costs—net

	Three month ended 31-Mar-17	Three month ended 31-Mar-16
	US\$'000	US\$'000
<i>Recognised in interim consolidated statement of profit or loss and other comprehensive income</i>		
Finance costs	(13,905)	(14,916)
Finance income	40	348
	<u>(13,865)</u>	<u>(14,568)</u>

8. Income tax

	Three month ended 31-Mar-17	Three month ended 31-Mar-16
	US\$'000	US\$'000
Tax expense for the period	3,715	5,015
Tax liabilities	<u>22,044</u>	<u>20,270</u>

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

8. Income tax (Continued)

The tax charged for the three-month ended 31 March 2017 represent the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the Group's pre-tax income of the three-month period. The withholding taxes included in the current tax charged amounted to US\$3,067 thousand (2016: US\$4,415 thousand).

9. (Losses)/earnings per share

Basic and diluted (losses)/earnings per share

The calculation of basic earnings per share at 31 March 2017 is based on the loss attributable to the shareholders of the Company of US\$ 3,378 thousand (2016: profit attributable to shareholders of the Company of US\$ 1,963 thousand) and a weighted average number of ordinary shares outstanding of 284,719 thousand (2016: 284,719 thousand).

10. Property, plant and equipment

	Buildings	Plant, machinery, furniture, fixtures and office equipment	Marine vessels	Motor vehicles	Capital work-in- progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost						
As at 1 January 2016	3,958	14,050	1,673,498	989	36,454	1,728,949
Additions during the year	—	465	32,205	—	119,649	152,319
Transfers during the year	—	—	25,518	—	(25,518)	—
As at 31 December 2016	3,958	14,515	1,731,221	989	130,585	1,881,268
Additions during the three month period	—	—	3,242	91	52,801	56,134
As at 31 March 2017	<u>3,958</u>	<u>14,515</u>	<u>1,734,463</u>	<u>1,080</u>	<u>183,386</u>	<u>1,937,402</u>
Accumulated depreciation						
As at 1 January 2016	913	11,027	483,911	859	9,800	506,510
Charge for the year	159	688	73,373	102	—	74,322
Transfers during the year	—	—	9,800	—	(9,800)	—
Amortisation of mobilisation costs during the year	—	—	1,924	—	—	1,924
Impairment during the year	—	—	99,600	—	—	99,600
As at 31 December 2016	1,072	11,715	668,608	961	—	682,356
Charge for the three month period . . .	40	155	16,697	24	—	16,916
Amortisation of mobilisation costs during the period	—	—	60	—	—	60
As at 31 March 2017	<u>1,112</u>	<u>11,870</u>	<u>685,365</u>	<u>985</u>	<u>—</u>	<u>699,332</u>
Carrying amount						
As at 31 March 2017	<u>2,846</u>	<u>2,645</u>	<u>1,049,098</u>	<u>95</u>	<u>183,386</u>	<u>1,238,070</u>
As at 31 December 2016	2,886	2,800	1,062,613	28	130,585	1,198,912

Marine vessels with a net book value of US\$ 811,720 thousand (2016: US\$ 666,726 thousand) are mortgaged against bank loans obtained (Note 17).

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

10. Property, plant and equipment (Continued)

The depreciation charge has been allocated as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Cost of revenue	16,697	73,373
Administrative expenses	219	949
	<u>16,916</u>	<u>74,322</u>

11. Intangible assets and goodwill

	<u>31 March 2017</u>			<u>31 December 2016</u>		
	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
At the beginning of the period/year	26,174	2,500	28,674	26,174	1,069	27,243
Additions	—	285	285	—	1,481	1,481
Amortisation	—	(94)	(94)	—	(50)	(50)
At the end of the period/year	<u>26,174</u>	<u>2,691</u>	<u>28,865</u>	<u>26,174</u>	<u>2,500</u>	<u>28,674</u>
Cost (gross carrying amount)	26,174	4,334	30,508	26,174	4,049	30,223
Accumulated amortisation	—	(1,643)	(1,643)	—	(1,549)	(1,549)
Net carrying amount	<u>26,174</u>	<u>2,691</u>	<u>28,865</u>	<u>26,174</u>	<u>2,500</u>	<u>28,674</u>

Goodwill comprises the following:

- a) arising from the acquisition of BUE Marine Limited with effect from 1 July 2005.
- b) 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 allocated to each of the cash-generating units is as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
	<u>US\$'000</u>	<u>US\$'000</u>
BUE Marine Limited Unit	18,383	18,383
Doha Marine Services WLL Unit	7,791	7,791
	<u>26,174</u>	<u>26,174</u>

The recoverable amount of each cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management. The impairment testing was performed on 31 December 2016.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

12. Accounts receivable and prepayments

	31 March 2017	31 December 2016
	US\$'000	US\$'000
Trade accounts receivable	60,034	99,099
Allowance for trade accounts receivable	(4,538)	(4,538)
	55,496	94,561
Prepaid expenses	5,909	3,692
Advance to suppliers	5,455	2,768
Retention receivable	970	1,998
Other receivables	14,553	7,476
	82,383	110,495
Less: Non-current portion	(11,273)	(930)
	71,110	109,565

Movement in the allowance for trade accounts receivables is as follows:

	31 March 2017	31 December 2016
	US\$'000	US\$'000
At the beginning of the year/period	4,538	8,627
Charge for the period/year	—	3,472
Amounts written off	—	(7,561)
At the end of the period/year	4,538	4,538

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

	31 March 2017	31 December 2016
	US\$'000	US\$'000
GCC	7,410	6,135
Caspian	43,435	81,076
Other	4,651	7,350
At the end of the period/year	55,496	94,561

As at 31 March 2017 and 31 December 2016, the ageing of un-impaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
	US\$'000	US\$'000	<30 days	30–60 days	61–90 days	91–120 days	>120 days
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2017	55,496	40,865	5,024	2,111	2,698	4,690	108
2016	94,561	76,485	5,228	4,296	4,348	2,742	1,462

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

13. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies and entities

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

13. Related party transactions (Continued)

under common ownership and/or common management and control, shareholders and key management personnel. The terms and conditions of such transactions are decided by management.

	<u>31 March 2017</u>	<u>31 December 2016</u>
	US\$'000	US\$'000
<i>Due from related parties</i>		
Topaz Energy & Marine Limited—Holding Company	14,947	16,740
Directors	6	6
Tawoos—subsidiary of the Ultimate Holding Company	—	1
	<u>14,953</u>	<u>16,747</u>
<i>Due to a related party</i>		
Renaissance Services SAOG—Ultimate Holding Company	—	187

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

The Group also obtained a loan from the Holding Company (see Note 18).

14. Inventories

	<u>31 March 2017</u>	<u>31 December 2016</u>
	US\$'000	US\$'000
Stores, spares and consumables	<u>6,795</u>	<u>5,689</u>

15. Cash and cash equivalents

	<u>31 March 2017</u>	<u>31 December 2016</u>
	US\$'000	US\$'000
Cash in bank		
—Short-term deposits	15,000	15,000
—Current accounts	42,099	24,387
	<u>57,099</u>	<u>39,387</u>
Cash on hand	108	72
Cash and cash equivalents	<u>57,207</u>	<u>39,459</u>

The short-term deposits earn interest of 0.63% per annum and have maturity of up to 3 months from the deposit date.

16. Share capital

	<u>31 March 2017</u>	<u>31 December 2016</u>
	US\$'000	US\$'000
<i>Authorised</i>		
400,000,000 shares of US\$1 each (2016: 400,000,000 shares of US\$1 each)	<u>400,000</u>	<u>400,000</u>
<i>Issued and fully paid</i>		
284,719,616 shares of US\$1 each (2016: 284,719,616 shares of US\$1 each)	<u>284,720</u>	<u>284,720</u>

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

17. Term loans

	31 March 2017	31 December 2016
	US\$'000	US\$'000
Term loan, at LIBOR plus 2.75% p.a.	292,907	300,093
US\$350M, 8.625% Senior Notes due in 2018	345,545	344,903
	638,452	644,996
Current portion	(30,000)	(30,000)
Non-current portion	608,452	614,996

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

The term loan and Senior Notes are repayable as follows:

	31 March 2017	31 December 2016
	US\$'000	US\$'000
Due within one year	30,000	30,000
Due between two to five years	489,999	489,999
Due after five years	118,453	124,997
	638,452	644,996

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

18. Loans due to Ultimate Holding Company

	31 March 2017	31 December 2016
	US\$'000	US\$'000
Term loans (refer (i) below)	78,600	80,600
Current portion	(7,254)	(7,254)
Non-current portion	71,346	73,346

- (i) This represents loans obtained from the Ultimate Holding Company for the purpose of financing the acquisition of certain vessels. It also includes a subordinated loan payable in four equal instalments of US\$ 26 million, starting from November 2014 carrying a mark-up at the rate of 8.5% per annum compounded on a quarterly basis.

19. Employees' end-of-service benefits

	31 March 2017	31 December 2016
	US\$'000	US\$'000
At the beginning of the period/year	3,529	3,868
Provided during the period/year	318	342
End-of-service benefits paid	(288)	(681)
At the end of the period/year	3,559	3,529

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

20. Accounts payable and accruals

	31 March 2017	31 December 2016
	US\$'000	US\$'000
<i>Current</i>		
Trade accounts payables	7,758	41,055
Accrued expenses	29,023	27,297
Interest payable	15,927	8,937
Other payables	3,289	3,778
	<u>55,997</u>	<u>81,067</u>
<i>Non-current</i>		
Advances from customers	<u>177,334</u>	<u>112,051</u>

21. Contingencies

Contingent liabilities

	31 March 2017	31 December 2016
	US\$'000	US\$'000
Letters of guarantee	<u>18,210</u>	<u>23,150</u>

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

22. Commitments

	31 March 2017	31 December 2016
	US\$'000	US\$'000
<i>Capital expenditure commitment:</i>		
Purchase of marine vessels	<u>321,384</u>	<u>346,841</u>

23. Operating segments

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

Geographic segments

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

- Caspian
- MENA
- Africa

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

23. Operating segments (Continued)

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

The following table presents segmental information about these businesses:

Operating segment—Three month period ended 31 March 2017

	Caspian	Mena	Africa	Corporate	Elimination	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	45,521	10,968	1,722	—	—	58,211
Direct costs	(22,131)	(12,908)	(3,456)	—	1,158	(37,337)
Gross profit/(loss) segment results .	23,390	(1,940)	(1,734)	—	1,158	20,874
Administrative expenses	(2,815)	(1,619)	(1,074)	(1,164)	—	(6,672)
Finance costs, net	(6,723)	(2,293)	(2,153)	(2,696)	—	(13,865)
Income tax expense	(3,164)	(382)	(169)	—	—	(3,715)
Profit/(loss) for the period	10,688	(6,234)	(5,130)	(3,860)	1,158	(3,378)
Depreciation and amortization	10,584	5,408	928	88	2	17,010
Assets	936,392	123,947	113,946	630,967	(369,767)	1,435,485
Liabilities	(511,650)	(134,481)	(199,547)	(395,758)	265,450	(975,986)

Operating segment—Three month period ended 31 March 2016

	Caspian	Mena	Africa	Corporate	Elimination	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	51,104	20,227	6,376	—	—	77,707
Direct costs	(23,625)	(17,835)	(4,629)	(1,159)	(224)	(47,472)
Gross profit/(loss) segment results	27,479	2,392	1,747	(1,159)	(224)	30,235
Administrative expenses	(3,300)	(2,221)	(1,277)	(1,891)	—	(8,689)
Finance costs, net	(6,196)	(2,178)	(2,561)	(3,633)	—	(14,568)
Income tax expense	(3,584)	(836)	(595)	—	—	(5,015)
Profit/(loss) for the period	14,399	(2,843)	(2,686)	(6,683)	(224)	1,963

Operating segment—As of 31 December 2016

Assets	1,114,327	311,519	114,572	629,132	(762,362)	1,407,188
Liabilities	(700,057)	(316,734)	(195,466)	(390,063)	658,009	(944,311)

24. Fair values of financial instruments

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Notes to the unaudited interim condensed consolidated financial information
for the three month period ended 31 March 2017 (Continued)

25. Risk management

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

- Credit risk
- Liquidity risk
- Market risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department or any risk management policies since the year ended 31 December 2016.

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The main characteristics of the term loans provided to the Group are described in Notes 17 and 18.

26. Approval of interim condensed consolidated financial information

The interim condensed consolidated financial information was approved for issuance by the Board of Directors on behalf of the shareholders on 6 July 2017.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Reports and consolidated financial statements
for the year ended 31 December 2016

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

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INDEPENDENT AUDITOR'S REPORT

The Shareholders

Topaz Energy and Marine Limited and its Subsidiaries

[formerly NICO Middle East Limited]

Hamilton

Bermuda

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Topaz Energy and Marine Limited and its Subsidiaries** [formerly NICO Middle East Limited] (the "Group"), **Hamilton, Bermuda**, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Matter

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

Other Information

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Consolidated statement of comprehensive income
for the year ended 31 December 2016

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

Director

Director

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Consolidated statement of financial position
as at 31 December 2016

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

Director

Chief Financial Officer

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Consolidated statement of cash flows
as at 31 December 2016

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

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Retained earnings/ (accumulated losses)	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2015	284,720	46,796	38	203,348	534,902	134,445	669,347
Total comprehensive (loss)/income for the year	—	—	—	(78,769)	(78,769)	20,277	(58,492)
Dividend paid to the Holding Company (Note 25)	—	—	—	(22,000)	(22,000)	—	(22,000)
Dividend paid to non-controlling interests (Note 26)	—	—	—	—	—	(14,900)	(14,900)
Other transactions with non-controlling interests	—	—	—	(1,254)	(1,254)	1,254	—
Transfer to retained earnings	—	—	(38)	38	—	—	—
Balance at 31 December 2015	284,720	46,796	—	101,363	432,879	141,076	573,955
Total comprehensive (loss)/income for the year	—	—	—	(125,914)	(125,914)	23,836	(102,078)
Dividend paid to non-controlling interests (Note 26)	—	—	—	—	—	(9,000)	(9,000)
Balance at 31 December 2016	284,720	46,796	—	(24,551)	306,965	155,912	462,877

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016

1. Establishment and operations

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as “the Group” and individually as “the Group entities”) and the Group’s interest in jointly controlled entities. The principal activities of the Group are provision of offshore supply vessels and other marine vessels on charter primarily to the oil and gas industry.

2. Subsidiaries and Jointly Controlled Entities

i) Subsidiaries of Topaz Energy and Marine Limited, Bermuda

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
Topaz Energy and Marine DMCC	United Arab Emirates	100%	100%	Ship management services
Nico World II Limited [Refer Note 2 ^(d)] .	Vanuatu	—	100%	Charter of marine vessels
Nico Far East Pte Limited [Refer Note 2 ^(d)]	Singapore	—	100%	Charter of marine vessels
TEAM II Limited [Refer Note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM III Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM IV Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM V Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM VI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM VII Limited [Refer note 2 ^(a)] . . .	St. Vincent	50%	50%	Charter of marine vessels
TEAM VIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM X Limited [Refer Note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XV Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XVII Limited [refer note 2 ^(a)] . . .	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVIII Limited [refer note 2 ^(a)] . .	St. Vincent	50%	50%	Charter of marine vessels
TEAM XX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVII Limited [refer note 2 ^(a)] . .	St. Vincent	50%	50%	Charter of marine vessels
TEAM XXVIII Limited [refer note 2 ^(a)] .	St. Vincent	50%	50%	Charter of marine vessels
TEAM XXIX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

2. Subsidiaries and Jointly Controlled Entities (Continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
TEAM XXXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XL Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLVII Limited	Marshall Islands	100%	100%	Charter of marine vessels
BUE Marine Limited	Scotland	100%	100%	Charter of marine vessels
Topaz BUE Limited	United Arab Emirates	100%	100%	Charter of marine vessels
Topaz Doha Holdings I Limited	St. Vincent	100%	100%	Charter of marine vessels
Topaz Doha Holdings II Limited	St. Vincent	100%	100%	Charter of marine vessels
Caspian Fortress Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Pride Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Baki Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Citadel Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Gala Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Server Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Breeze Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Protector Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Power Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Provider Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Islay Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Jura Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Topaz Marine Saudi Arabia Limited	Saudi Arabia	100%	100%	Operation services and technical support for ships
Topaz Khobar Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khuwair Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khalidiya Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karama Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karzakkan Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khubayb Limited	Marshall Islands	100%	100%	Charter of marine vessels
Ererson Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Heatberg Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Topaz Marine Limited	Bermuda	100%	100%	Charter of marine vessels
Topaz Marine S.A.	Luxembourg	100%	100%	Investment company

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

2. Subsidiaries and Jointly Controlled Entities (Continued)

ii) Subsidiaries of Topaz Marine Limited, Bermuda

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
Topaz Astrakhan Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Marine NIG Ltd	Nigeria	60%	60%	Charter of marine vessels

iii) Subsidiaries of BUE Marine Limited, Scotland

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2016	2015	
BUE Caspian Limited	Scotland	100%	100%	Vessel management
BUE Kazakhstan Limited	Scotland	100%	100%	Vessel management
BUE Cygnet Limited	Scotland	100%	100%	Vessel management
BUE 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
BUE Kyran Limited	Scotland	100%	100%	Vessel management
BUE Marine	Scotland	100%	100%	Vessel management
Turkmenistan Limited [Refer Note 2 ^(b)] XT Shipping Limited	Scotland	100%	100%	Vessel management
River Till Shipping Limited	Scotland	100%	100%	Vessel management
Doha Marine Service WLL [Refer Note 2 ^(c)]	State of Qatar	49%	49%	Vessel management
DMS Marine SPC [Refer Note 2 ^(d)]	State of Qatar	—	100%	Charter of marine vessels

- (a) Caspian Fortress Limited, Caspian Pride Limited, Caspian Baki Limited, Caspian Citadel Limited, Caspian Gala Limited, Caspian Server Limited, Caspian Breeze Limited, Caspian Power Limited, Caspian Protector Limited, Caspian Provider Limited, Team VII Limited, Team XV Limited, Team XVII Limited, Team XVIII Limited, Caspian Islay Limited, Caspian Jura Limited, Team II Limited, Team X Limited, Team XXVII Limited and Team XXVIII Limited have been considered as subsidiaries as the Group has control over these entities, and is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities under management agreements with the respective shareholders.
- (b) BUE Caspian Limited owns the entire issued share capital of BUE Marine Turkmenistan Limited, a company incorporated and registered in Scotland.
- (c) The Group owns 49% of the shareholding in Doha Marine Services WLL (“DMS”), an entity incorporated in the State of Qatar. In addition to the above mentioned 49% ownership interest, the Group also has a beneficial interest in a further 51% in DMS through its Holding Company. Accordingly, the Group has control over these entities, and is exposed to, or has rights to, variable returns from its involvement with DMS and has the ability to affect those returns through its power over DMS, and therefore, DMS has been consolidated as a subsidiary in these consolidated financial statements
- (d) During the year ended 31 December 2016, the Group has dissolved Nico World II Limited, DMS Marine SPC, and Nico Far East PTE Limited. During the year ended 31 December 2015, the Group has dissolved Topaz Holdings Limited, Team IX Limited, BUE Maritime Services Limited, and Roosalka Shipping Limited.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

3. Application of new and revised International Financial Reporting Standards (IFRS)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

3. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

3.2 New and revised IFRS in issue but not yet effective

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014–2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
• there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

3. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard contains requirements in the following areas: • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

3. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	
Amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 <i>Leases</i> specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

3. Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

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

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019. The application of IFRS 9 and IFRS 15 may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities, revenue from contracts with customers and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

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

4. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

The consolidated financial statements are presented in United States Dollars (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 denominated 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 USD 1, respectively. All values are rounded to the nearest thousand except where otherwise indicated.

5. Significant accounting policies

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and each of the entities that it controls (Refer to Note 2 to the consolidated financial statements).

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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.

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

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

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

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

Transactions and balances eliminated on consolidation

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

Accounting for business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of 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 remeasured to its fair value at the date when control is ceased, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-controlling interest

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

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

Revenue recognition

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

Marine charter

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

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

Sale of vessels

Revenue from sale of vessels is recognised in 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.

Finance income and expenses

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

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

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5. Significant accounting policies (Continued)

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

Foreign operations

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

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

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

Income tax

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

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

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.

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

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

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, mobilization costs to the operating location, sea trial costs, significant rebuild expenditure incurred during the life of the asset and financing costs incurred during the construction period of vessels. In certain operating locations where the time taken for mobilization is significant and the customer pays a mobilization fee, certain mobilization costs are charged to profit or loss. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

	Useful life in years
Buildings	5 to 25
Plant, machinery, furniture, fixtures and office equipment	3 to 15
Marine vessels acquired (including boats)	15 to 30
Expenditure on marine vessel dry docking (included as a component of marine vessels)	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

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

capitalised borrowing cost are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Dry docking costs

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

Vessel refurbishment costs

Owned assets

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

Intangible assets

Goodwill

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

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

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

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

Financial instruments

Non-derivative financial assets

Classification

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

i) Financial assets at fair value through profit or loss

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

ii) Loans and receivables

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

iii) Available-for-sale financial assets

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

Recognition and measurement

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

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

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the 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 financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

Offsetting

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

Other non-trading derivatives

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

Impairment

Financial assets

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

at the asset's original effective interest rate. Losses are recognised in the consolidated statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

Non-financial assets

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

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

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

Inventories

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

Net 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.

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

Cash and cash equivalents

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

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

Share capital

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

Trade and other payables

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

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

Interest bearing borrowings

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

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

Employees' benefits

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

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

Short-term employee benefits

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

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for the year ended 31 December 2016 (Continued)

5. Significant accounting policies (Continued)

Provisions

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

Onerous contracts

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

Leases

Group as a lessee

Leased assets

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

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

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

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

Group as a lessor

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

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

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Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

5. 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.

6. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgments in applying the Group's accounting policies

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

Accounting for investments

The Group reviews its investment in entities to assess whether the Group has control, joint control or significant influence over the investee. This includes consideration of the level of shareholding held by the Group in the investee as well as other factors such as representation on the Board of Directors of the investee, terms of any agreement with the other shareholders etc. Based on the above assessment the Group decides whether the investee needs to be consolidated or equity accounted in accordance with the accounting policy of the Group (also refer to Note 5 to the consolidated financial statements).

Leases

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

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

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

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6. Critical accounting judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines on an annual basis whether goodwill is impaired or not. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was USD 26,174 thousand (2015: USD 26,174 thousand). Details of the impairment assessment are set out in Note 14.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 *Impairment of assets*. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2016 was USD 1,052,813 thousand (2015: USD 1,179,787 thousand).

The recoverable amount of all vessels has been determined based on value in use calculations where the fair value less cost to sell was lower than the carrying amount. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 5 years based on the expected utilization rates of the individual vessels using a discount rate of 11.80% (2015: 11.70%). Cash flows beyond five years are estimated using a nil growth rate.

Impairment of accounts receivable

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

At the reporting date, gross trade accounts receivable were USD 99,099 thousand (2015: USD 93,168 thousand) and the provision for doubtful debts was USD 4,538 thousand (2015: USD 8,627 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be impaired will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices, consumption trend and usage.

At the reporting date, gross inventories were USD 5,689 thousand (2015: USD 3,326 thousand) with provisions for old and obsolete inventories of USD Nil (2015: USD Nil). Any difference between the

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6. Critical accounting judgements and key sources of estimation uncertainty (Continued)

amounts actually realised in future periods and the amounts provided will be recognised in the consolidated statement of comprehensive income.

Useful lives of property, plant and equipment

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

Provision for current tax and deferred tax

The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

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

7. Revenue

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

8. Administrative expenses

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

9. Impairment loss on vessels

	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Impairment loss on marine vessels (Note 13)	99,600	71,000

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10. Finance income and costs

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

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

11. Income tax

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

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

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for the year ended 31 December 2016 (Continued)

11. Income tax (Continued)

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

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

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

12. Earnings per share

Basic earnings per share

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

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13. Property, plant and equipment

	Buildings	Plant, machinery, furniture, fixtures and office equipment	Marine vessels	Motor vehicles	Capital work-in- progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost						
As at 1 January 2015	3,958	13,243	1,594,784	840	64,962	1,677,787
Additions	—	785	36,092	149	20,486	57,512
Transfers	—	24	48,970	—	(48,994)	—
Transfer to current assets	—	—	(1,628)	—	—	(1,628)
Disposals/write offs	—	(2)	(4,720)	—	—	(4,722)
As at 31 December 2015	3,958	14,050	1,673,498	989	36,454	1,728,949
Additions	—	465	32,205	—	119,649	152,319
Transfers	—	—	25,518	—	(25,518)	—
As at 31 December 2016	<u>3,958</u>	<u>14,515</u>	<u>1,731,221</u>	<u>989</u>	<u>130,585</u>	<u>1,881,268</u>
Accumulated depreciation						
As at 1 January 2015	754	10,002	351,717	758	—	363,231
Charge for the year	159	1,027	69,217	101	—	70,504
Impairment (Note 9)	—	—	61,200	—	9,800	71,000
Eliminated on disposals	—	(2)	(1,113)	—	—	(1,115)
Amortisation of mobilisation costs	—	—	2,890	—	—	2,890
As at 31 December 2015	913	11,027	483,911	859	9,800	506,510
Charge for the year	159	688	73,373	102	—	74,322
Transfer	—	—	9,800	—	(9,800)	—
Amortisation of mobilisation costs	—	—	1,924	—	—	1,924
Impairment (Note 9)	—	—	99,600	—	—	99,600
As at 31 December 2016	<u>1,072</u>	<u>11,715</u>	<u>668,608</u>	<u>961</u>	<u>—</u>	<u>682,356</u>
Carrying amount						
As at 31 December 2016	<u>2,886</u>	<u>2,800</u>	<u>1,062,613</u>	<u>28</u>	<u>130,585</u>	<u>1,198,912</u>
As at 31 December 2015	3,045	3,023	1,189,587	130	26,654	1,222,439

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

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

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

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

The depreciation charge has been allocated as follows:

	2016 US\$'000	2015 US\$'000
Cost of revenue	73,373	69,429
Administrative expenses (Note 8)	949	1,075
	<u>74,322</u>	<u>70,504</u>

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14. Intangible assets and goodwill

	Goodwill	2016 Computer software	Total	Goodwill	2015 Computer software	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January	26,174	1,069	27,243	26,174	514	26,688
Additions	—	1,481	1,481	—	621	621
Amortisation	—	(50)	(50)	—	(66)	(66)
At 31 December	26,174	2,500	28,674	26,174	1,069	27,243
Cost (gross carrying amount)	26,174	4,049	30,223	26,174	2,568	28,742
Accumulated amortisation	—	(1,549)	(1,549)	—	(1,499)	(1,499)
Net carrying amount	26,174	2,500	28,674	26,174	1,069	27,243

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

Goodwill comprises the following:

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

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

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

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

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

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

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

Key assumptions used in discounted cash flow projection calculations

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

Discount rate

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

Terminal value calculations

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

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14. Intangible assets and goodwill (Continued)

Growth rate

The growth rate used for value in use calculation in 2016 is 3% (2015: 3%).

Sensitivity to changes in assumptions

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

15. Accounts receivable and prepayments

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

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

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>
At 1 January	8,627	8,668
Charge for the year (Note 9)	3,472	226
Amounts written off	(7,561)	(309)
At 31 December	<u>4,538</u>	<u>8,627</u>

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

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

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

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for the year ended 31 December 2016 (Continued)

15. Accounts receivable and prepayments (Continued)

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

	<u>Total</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>				
			<u><30 days</u>	<u>30–60 days</u>	<u>61–90 days</u>	<u>91–120 days</u>	<u>>120 days</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
2016	94,561	76,485	5,228	4,296	4,348	2,742	1,462
2015	84,541	52,009	14,393	6,362	4,109	1,051	6,617

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

16. Related party transactions

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

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

	<u>2016 Interest</u>	<u>2015 Interest</u>
	<u>USD'000</u>	<u>USD'000</u>
Related party—Ultimate Holding Company	<u>7,896</u>	<u>8,684</u>

Compensation of key management personnel

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

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

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>
<i>Due from related parties</i>		
Topaz Energy & Marine Limited—Holding Company	16,740	16,481
Topaz Energy and Marine Plc, UK—subsidiary of the Holding Company	—	83
Directors	6	—
Tawoos—subsidiary of the Ultimate Holding Company	1	4
	<u>16,747</u>	<u>16,568</u>

Due to a related party

Renaissance Services SAOG—Ultimate Holding Company	<u>187</u>	<u>564</u>
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These are unsecured, interest-free and do not have any fixed repayment term.

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for the year ended 31 December 2016 (Continued)

17. Deferred tax assets

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

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

The UK corporation tax rate will reduce from 20% to 17% over a period of 4 years from 2016. The next reduction in the UK corporation tax rate from 20% to 19% is effective from 1 April 2017, followed by a reduction from 19% to 17% effective 1 April 2020. As the rate change from 19% to 17% had been substantively enacted before the reporting date, deferred tax is recognised at a rate of 17%.

18. Inventories

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

19. Cash and cash equivalents

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

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

20. Share capital

	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>
<i>Authorised</i>		
400,000,000 shares of USD 1 each (2015: 400,000,000 shares of USD 1 each)	<u>400,000</u>	<u>400,000</u>
<i>Issued and fully paid</i>		
284,719,616 shares of USD 1 each (2015: 284,719,616 shares of USD 1 each)	<u>284,720</u>	<u>284,720</u>

In 2014, the Holding Company entered into a Subscription Agreement with another party, consisting of the issue and sale of 27,902,522 common shares (from authorised but unissued capital stock) of the Company at a price of USD 2.68 per share for total proceeds of USD 75 million, which resulted in a share premium balance of USD 46.8 million. As part of the sale of the shares, the Holding Company entered into a Shareholders Agreement, where the Holding Company and the Ultimate Holding Company have agreed to certain conditions which are accounted for, and disclosed, in their own financial statements. These

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for the year ended 31 December 2016 (Continued)

20. Share capital (Continued)

conditions do not affect the Company itself and therefore the financial impact has not been reflected in these consolidated financial statements.

On 19 December 2016, the Holding Company has transferred 10,534,626 shares from its shareholding in the Company's authorised but unissued capital stock (amounting to 3.7% of the share capital) to the other party, thereby increasing the total holding of the other party from 9.8% to 13.5%.

21. Term loans

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

(i) In 2015, the Group successfully refinanced its existing bank debt amounting to USD 313,659 thousand under various facilities. As a result of this refinancing on 30 April 2015, the Group entered into an agreement with a syndicate of banks for a financing facility of USD 550 million. The existing liabilities under the target restructure loans were prepaid and were replaced by a new term loan amounting to USD 350 million. The new term loan carries interest at the rate of three-month LIBOR plus 2.75% and is repayable in quarterly instalments till April 2022. The Group recognised a charge on extinguishment of debt of USD 8.4 million in 2015 in relation to the prepayment of these term loans. The amount was included as part of finance cost in the consolidated statement of comprehensive income.

(ii) On 4 November 2013 the Group issued 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. No redemption has been made as of year-ended 31st December 2016. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Nico Middle East Ltd., incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Global Exchange Market of the Irish Stock Exchange.

In conjunction with the Senior Notes offering, USD 12.06 million in debt issuance costs were incurred and has been accounted as per IFRS and is amortised into finance cost over the life of the Senior Notes using the effective interest rate 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 new vessels.

As at 31 December 2016, the fair value of the Senior Notes is approximately USD 342 million (2015: USD 320 million).

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

The term loan and Senior Notes are repayable as follows:

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

The borrowing arrangements include undertakings to comply with various covenants including net debt to EBITDA ratio and EBITDA to debt service ratio as well as an undertaking to maintain a minimum

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for the year ended 31 December 2016 (Continued)

21. Term loans (Continued)

tangible net worth which shall not be less than USD 400 million and minimum total free liquidity which shall not be less than USD 30 million.

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

22. Loans due to Holding Company

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

The loan is repayable as follows:

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

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

23. Employees' end-of-service benefits

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

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

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

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24. Accounts payable and accruals

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

25. Dividends

The dividend paid in 2016 for the year ended 31 December 2015 was USD Nil.

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

26. Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statement of financial position

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

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for the year ended 31 December 2016 (Continued)

26. Summarised financial information on subsidiaries with material non-controlling interests
(Continued)

Summarised statement of comprehensive income

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

Summarised statement of cash flows

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

27. Contingencies

Contingent liabilities

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

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

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28. Commitments

	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
<i>Capital expenditure commitment:</i>		
Purchase of marine vessels	<u>346,841</u>	<u>141,300</u>

29. Non-cancellable leases

Operating leases—receivable

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

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

30. Operating segments

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

Geographic segments

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

- Caspian
- MENA
- Africa

The above segments is after consideration of an internal reorganisation implemented in 2015 due to changes in the composition of the various segments disclosed in 2014 consolidated financial statements on account of transfer of the operating decisions relating to various vessels from Global to MENA and Africa.

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

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30. Operating segments (Continued)

The following table presents segmental information about these businesses:

Operating segment—2016

	<u>Caspian</u>	<u>Mena</u>	<u>Africa</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Total</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Revenue	206,030	61,800	14,257	—	—	282,087
Direct costs	(96,470)	(65,806)	(15,708)	(178)	(141)	(178,303)
Gross profit (loss)/segment results	109,560	(4,006)	(1,451)	(178)	(141)	103,784
Administrative expenses	(11,716)	(10,263)	(4,677)	(6,969)	20	(33,605)
Impairment loss	(6,900)	(67,500)	(25,200)	—	—	(99,600)
Other income	2	28	423	—	—	453
Finance costs, net	(26,666)	(8,888)	(10,522)	(13,500)	—	(59,576)
Income tax expense	(9,990)	(2,098)	(1,446)	—	—	(13,534)
Profit/(loss) from continuing operations	<u>54,290</u>	<u>(92,727)</u>	<u>(42,873)</u>	<u>(20,647)</u>	<u>(121)</u>	<u>(102,078)</u>
Profit/(loss) for the year	<u>54,290</u>	<u>(92,727)</u>	<u>(42,873)</u>	<u>(20,647)</u>	<u>(121)</u>	<u>(102,078)</u>
Depreciation and amortisation . . .	<u>41,207</u>	<u>27,909</u>	<u>4,739</u>	<u>376</u>	<u>141</u>	<u>74,372</u>
Assets	1,114,327	311,519	114,572	629,132	(762,363)	1,407,188
Liabilities	<u>(700,057)</u>	<u>(316,734)</u>	<u>(195,466)</u>	<u>(390,063)</u>	<u>658,010</u>	<u>(944,311)</u>

Operating segment—2015

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

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31. Financial instruments by category

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

32. Fair values of financial instruments

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

33. Risk management

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

- Credit risk
- Liquidity risk
- Market risk.

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

Risk management framework

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

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33. Risk management (Continued)

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

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

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

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

Credit risk

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

Trade accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Approximately 29% (2015: 36%) of the Group's revenue is attributable to sales transactions with a single customer. The Group's ten largest customers account for 83% (2015: 84%) of the outstanding trade accounts receivable as at 31 December 2016. Geographically the credit risk is significantly concentrated in the MENA region and the Caspian region.

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

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

Balances with banks

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

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33. Risk management (Continued)

Guarantees

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

Exposure to credit risk

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

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

Liquidity risk

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

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

33. Risk management (Continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016, based on contractual undiscounted payments:

	Carrying amount USD'000	Contractual cash flows			
		Total	Due within 1 year	Due in 1 to 5 years	Due after 5 years
		USD'000	USD'000	USD'000	USD'000
At 31 December 2016					
<i>Non-derivative financial liabilities</i>					
Accounts payable and accruals	81,067	81,067	81,067	—	—
Term loans	644,996	761,753	72,100	563,251	126,402
Loan due to Holding Company	80,600	104,611	13,794	67,685	23,132
Due to related parties	187	187	187	—	—
Total	<u>806,850</u>	<u>947,618</u>	<u>167,148</u>	<u>630,936</u>	<u>149,534</u>
At 31 December 2015					
<i>Non-derivative financial liabilities</i>					
Accounts payable and accruals	53,019	53,019	53,019	—	—
Term loans	671,314	829,466	72,777	574,987	181,702
Loan due to Holding Company	104,000	143,180	61,735	81,445	—
Due to related parties	564	564	564	—	—
Total	828,897	1,026,229	188,095	656,432	181,702

Market risk

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

Interest rate risk

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

The Group's policy is to manage its interest rate exposure through using a mix of fixed and variable interest rate debts. The Group's policy is to maintain at least 40% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are used to hedge underlying debt obligations. At 31 December 2016, approximately 57% of the Group's borrowings are at a fixed rate of interest (2015: 57%). Since this meets the Group's policy of maintaining at least 40% of its borrowings at fixed rates, no interest rate swaps were transacted in 2015 and 2016.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

33. Risk management (Continued)

Profile

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

	Carrying amount	
	2016	2015
	USD'000	USD'000
Fixed rate instruments		
Financial assets	—	32
Financial liabilities	<u>425,503</u>	<u>446,462</u>
Variable rate instruments		
Financial liabilities	<u>300,093</u>	<u>328,852</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit or loss	
	100 bp increase	100 bp Decrease
	USD'000	USD'000
31 December 2016		
Variable rate instruments	<u>3,001</u>	<u>(3,001)</u>
31 December 2015		
Variable rate instruments	<u>3,289</u>	<u>(3,289)</u>

Currency risk

The Group is exposed to currency risk on sales and purchases denominated in currencies other than AED which is the functional currency of the Group or currencies which are pegged to USD.

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

33. Risk management (Continued)

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

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

The following significant exchange rates applied during the year:

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

Sensitivity analysis

A strengthening of the USD, as indicated below, against the Euro, Azerbaijan New Manat, Kazakhstan Tenge, Russian Rouble, Great Britain Pound, Norwegian Kroner, Japanese Yen, Nigerian Naira and Singapore Dollars at 31 December would have increased/(decreased) the comprehensive losses by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]

Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

33. Risk management (Continued)

variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	Effect on profit before tax	
	Strengthening by 5%	Weakening by 5%
	USD'000	USD'000
2016		
Euro (EUR)	34	(34)
Azerbaijan New Manat (AZN)	14	(14)
Great Britain Pound (GBP)	5	(5)
Kazakhstan Tenge (KZT)	2	(2)
Russian Rouble (RUB)	(32)	32
Norwegian Kroner (NOK)	—	—
Japanesse Yen (JPY)	2	(2)
Singapore Dollars (SGD)	—	—
Nigerian Naira (NGN)	(2)	2
2015		
Euro (EUR)	24	(24)
Azerbaijan New Manat (AZN)	14	(14)
Great Britain Pound (GBP)	7	(7)
Kazakhstan Tenge (KZT)	1	(1)
Russian Rouble (RUB)	(29)	29
Norwegian Kroner (NOK)	1	(1)
Japanesse Yen (JPY)	1	(1)
Singapore Dollars (SGD)	—	—
Nigerian Naira (NGN)	(23)	23

Capital management

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

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

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

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

Topaz Energy and Marine Limited and its Subsidiaries
[formerly NICO Middle East Limited]
Notes to the consolidated financial statements
for the year ended 31 December 2016 (Continued)

33. Risk management (Continued)

There were no changes in the Group's approach to capital management during the year. As disclosed in Note 21 to the consolidated financial statements, the Group is subject to certain financial covenants from its borrowing arrangements.

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

34. Non-cash transactions

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

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

35. Comparative figures

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

36. Approval of consolidated financial statements

The consolidated financial statements were approved for issuance and signed by the Board of Directors on behalf of the shareholders on 23 February 2017.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Consolidated financial statements
For the year ended 31 December 2015

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

Consolidated financial statements

31 December 2015

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Independent Auditors report

Independent auditor's report to the shareholders of Topaz Energy & Marine Limited.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Topaz Energy & Marine Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 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 information contained on pages 46 to 87 of this annual report.

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

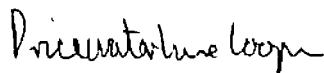
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial reporting Standards.



PricewaterhouseCoopers
16 February 2016

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

**Consolidated statement of comprehensive income
for the year ended 31 December**

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		<u>USD'000</u>	<u>USD'000</u>
Revenue	6	362,470	404,622
Direct costs		(218,590)	(217,251)
GROSS PROFIT		143,880	187,371
Administrative expenses		(39,752)	(41,145)
Impairment losses	7	(71,226)	(8,528)
Other income	8	100	426
PROFIT BEFORE FINANCE COSTS AND INCOME TAX		33,002	138,124
Finance costs	9	(70,217)	(65,121)
Finance income	9	971	1,464
Finance costs—net		(69,246)	(63,657)
(LOSS)/PROFIT BEFORE INCOME TAX		(36,244)	74,467
Income tax expense	10	(22,248)	(22,371)
LOSS/PROFIT FOR THE YEAR	11	(58,492)	52,096
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Changes to cash flow hedges	9	—	(158)
TOTAL COMPREHENSIVE LOSS/PROFIT FOR THE YEAR		(58,492)	51,938
(Loss)/Profit attributable to:			
Owners of the Company		(78,769)	32,121
Non-controlling interests		20,277	19,975
(LOSS)/PROFIT FOR THE YEAR		(58,492)	52,096
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(78,769)	31,963
Non-controlling interests		20,277	19,975
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		(58,492)	51,938
Basic and diluted (loss)/profit per share (USD)	35	(0.28)	0.12

The independent auditors' report is set out on page F-71.

The attached notes on pages F-77 to F-119 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
As at 31 December

	<u>Notes</u>	<u>2015</u> USD'000	<u>2014</u> USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,222,439	1,314,556
Intangible assets and goodwill	13	27,243	26,688
Long-term receivables and prepayments	15	1,397	888
Deferred tax asset	25	1,464	2,568
		<u>1,252,543</u>	<u>1,344,700</u>
Current assets			
Inventories	14	3,326	4,314
Accounts receivable and prepayments	15	100,158	112,594
Due from related parties	24	16,568	17,203
Bank balances and cash	16	55,069	63,414
		<u>175,121</u>	<u>197,525</u>
TOTAL ASSETS		<u>1,427,664</u>	<u>1,542,225</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	284,720	284,720
Share premium		46,796	46,796
Statutory reserve	18	—	38
Retained earnings		101,363	203,348
Total equity attributable to equity holders of the Company		432,879	534,902
Non-controlling interest		141,076	134,445
Total equity		<u>573,955</u>	<u>669,347</u>
Liabilities			
Non-current liabilities			
Term loans	20	641,314	628,163
Loan due to holding company	21	76,000	78,000
Employees' end of service benefits	22	3,868	4,079
Accounts payable and accruals	23	574	1,485
		<u>721,756</u>	<u>711,727</u>
Current liabilities			
Accounts payable and accruals	23	53,019	54,287
Term loans	20	30,000	56,709
Loan due to holding company	21	28,000	28,000
Due to related parties	24	564	604
Income tax payable	10	20,370	20,192
Fair value of derivatives	29	—	1,359
		<u>131,953</u>	<u>161,151</u>
Total liabilities		<u>853,709</u>	<u>872,878</u>
TOTAL EQUITY AND LIABILITIES		<u>1,427,664</u>	<u>1,542,225</u>

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16th February 2016 and signed on its behalf by:

Director

Chief Financial Officer

The independent auditors' report is set out on page F-71.
The attached notes on pages F-77 to F-119 form part of these consolidated financial statements.

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

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

	<u>Notes</u>	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
(Loss)/Profit before income tax from continuing operations		(36,244)	74,467
Adjustments to reconcile profit before tax to net cash flows:			
Charge on discontinuance of hedge accounting	9	—	(158)
Fair value changes of derivative financial instruments	9	(194)	(1,254)
Impairment losses on property, plant and equipment	7	71,000	4,000
Impairment loss on trade accounts receivables	7	226	4,528
Provision for employees' end of service benefits	22	302	1,345
Profit on sale of property, plant and equipment	8	—	(19)
Finance income	9	(777)	(52)
Finance costs	9	70,217	65,121
Depreciation and amortisation		70,570	61,625
Amortisation of mobilisation		2,890	9,175
Working capital adjustments:			
Inventories		988	(136)
Marine vessels classified as inventories and sold during the year		3,609	7,898
Accounts receivables, prepayments and other assets		2,365	3,697
Accounts payable, accruals and other liabilities		(4,740)	(3,399)
Due from related parties		597	(372)
Net cash generated from operations		180,809	226,466
OPERATING ACTIVITIES			
Income tax paid		(20,961)	(17,210)
Interest paid		(55,182)	(62,445)
Employees' end of service benefits paid	22	(513)	(338)
Net cash flows generated from operating activities		104,153	146,473
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(57,511)	(295,069)
Acquisition of intangible assets		(621)	—
Advance paid for vessels		(553)	(1,161)
Proceeds from disposal of property, plant and equipment		—	117
Change in long term receivable		(1,397)	—
Net movement in restricted cash		13,000	(2,000)
Net cash flows used in investing activities		(47,082)	(298,113)
FINANCING ACTIVITIES			
Funding from non-controlling interests			84,000
Loans borrowed		345,884	91,568
Loans paid		(372,100)	(83,811)
Repayment of loan due to holding company		(2,000)	(28,000)
Dividends paid		(22,000)	(20,000)
Dividends paid to non-controlling interests*		(2,200)	—
Net cash flows (used in)/generated from financing activities		(52,416)	43,757
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,655	(107,883)
Cash and cash equivalents at 1 January		50,414	158,297
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	55,069	50,414

NON-CASH TRANSACTION

In 2015, dividends to non-controlling interest amounting to USD 12,700 thousand were set off against receivable from non-controlling interest.

The independent auditors' report is set out on page F-71.

The attached notes on pages F-77 to F-119 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**

	Attributable to Owners of the Company						Non- controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Hedging reserve	Retained earnings	Total		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 1 January 2014 . . .	256,818	—	38	158	191,227	448,241	92,673	540,914
Profit for the year	—	—	—	—	32,121	32,121	19,975	52,096
Other comprehensive income (refer note 9)	—	—	—	(158)	—	(158)	—	(158)
Total comprehensive income for the year	—	—	—	(158)	32,121	31,963	19,975	51,938
Transactions with the Owners of the Company								
Additional capital introduced . .	27,902	46,796	—	—	—	74,698	21,797	96,495
Dividend paid to holding company (refer to 34)	—	—	—	—	(20,000)	(20,000)	—	(20,000)
Total transactions with the Owners of the Company	27,902	46,796	—	—	(20,000)	54,698	21,797	76,495
Balance at 31 December 2014 .	<u>284,720</u>	<u>46,796</u>	<u>38</u>	<u>—</u>	<u>203,348</u>	<u>534,902</u>	<u>134,445</u>	<u>669,347</u>

The independent auditors' report is set out on page F-71.

The attached notes on pages F-77 to F-119 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 (Continued)**

	Attributable to Owners of the Company					Non-	Total
	Share capital	Share premium	Statutory reserve	Retained earnings	Total	controlling interests	equity
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 1 January 2015	284,720	46,796	38	203,348	534,902	134,445	669,347
Loss for the year	—	—	—	(78,769)	(78,769)	20,277	(58,492)
Total comprehensive loss for the year . .	—	—	—	(78,769)	(78,769)	20,277	(58,492)
Transactions with the Owners of the Company							
Dividend paid to holding company (refer to 34)	—	—	—	(22,000)	(22,000)	—	(22,000)
Dividend paid to non-controlling interests	—	—	—	—	—	(14,900)	(14,900)
Transactions with non-controlling interests	—	—	—	(1,254)	(1,254)	1,254	—
Transfer to retained earnings	—	—	(38)	38	—	—	—
Total transactions with the Owners of the Company	—	—	(38)	(23,216)	(23,254)	(13,646)	(36,900)
Balance at 31 December 2015	284,720	46,796	—	101,363	432,879	141,076	573,955

The independent auditors' report is set out on page F-71.

The attached notes on pages F-77 to F-119 form part of these consolidated financial statements.

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

Notes to the consolidated financial statements

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 Group as at and for the year ended 31 December 2015 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
		2015	2014	
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 1 Limited	Vanuatu	100%	100%	Charter of marine vessels
TEAM II Limited [refer note 2 ^(a)]	St.Vincent	50%	50%	Charter of marine vessels
TEAM III Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM IV Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM V Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM VI Limited	St.Vincent	100%	100%	Charter of marine vessels
TEAM VII Limited [refer 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 [refer note 2 ^(c)]	St.Vincent	—	100%	Charter of marine vessels
TEAM X Limited	St.Vincent	50%	50%	Charter of marine vessels
TEAM XII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XIII Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XV Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XVII Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVIII Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM 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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2015	2014	
TEAM XXVII Limited [refer note 2 ^(a)]	Marshall Islands	50%	50%	Charter of marine vessels
TEAM XXVIII Limited [refer note 2 ^(a)]	Marshall Islands	50%	50%	Charter of marine vessels
TEAM XXIX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXIX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XL Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLIII Limited [refer note 2 ^(f)]	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLIV Limited [refer note 2 ^(f)]	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLV Limited [refer note 2 ^(f)]	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLVI Limited [refer note 2 ^(f)]	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XLVII Limited [refer note 2 ^(f)]	Marshall Islands	100%	100%	Charter of marine vessels
BUE Marine Limited	United Kingdom	100%	100%	Charter of marine vessels
Topaz BUE Limited	United Arab Emirates	100%	100%	Charter of marine vessels
Topaz Doha Holdings I Limited .	St. Vincent	100%	100%	Charter of marine vessels
Topaz Doha Holdings II Limited	St. Vincent	100%	100%	Charter of marine vessels
Caspian Fortress Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Pride Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Baki Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Citadel Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Gala Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Server Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Breeze Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2015	2014	
Caspian Protector Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Power Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Provider Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Islay Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Jura Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Topaz Marine Saudi Arabia Limited	Saudi Arabia	100%	100%	Operation services and technical support for ships
Topaz Khobar Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khuwair Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khalidiya Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karama Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Karzakkan Limited	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Khubayb Limited	Marshall Islands	100%	100%	Charter of marine vessels
Ererson Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Heatberg Shipping Limited	Cyprus	100%	100%	Charter of marine vessels
Topaz Marine Limited	Bermuda	100%	100%	Charter of marine vessels
Topaz Marine S.A.	Luxembourg	100%	100%	Investment company
Topaz Astrakhan Limited	Marshall Islands	100%	100%	Charter of marine vessels
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

ii) Subsidiaries of BUE Marine Limited

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2015	2014	
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 [refer note 2 ^(e)]	Cayman Islands	—	100%	Dormant company
BUE Kyran Limited	Scotland	100%	100%	Vessel management
BUE Marine Turkmenistan Limited	Scotland	100%	100%	Vessel management
XT Shipping Limited	Scotland	100%	100%	Vessel management
BUE Kashagan Limited [refer note 2 ^(e)]	Cayman Islands	—	100%	Vessel management
BUE Maritime Services Limited [refer note 2 ^(e)]	Scotland	—	100%	Vessel management
River Till Shipping Limited	Scotland	100%	100%	Vessel management

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

iii) Subsidiary of Topaz Doha Holdings II Limited

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2015	2014	
Doha Marine Services WLL [refer note 2 ^(d)]	State of Qatar	49%	49%	Vessel management
DMS Marine SPC	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 Limited, Team VII Limited, Team XV Limited, Team XVII Limited, Team XVIII Limited, Caspian Islay Limited, Caspian Jura Limited, Team II Limited, Team X Limited, Team XXVII Limited and Team XXVIII Limited have been considered as subsidiaries as the Group 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) 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.
- (e) During the year, the Group has dissolved Team IX Limited, BUE Maritime Services Limited, Roosalka Shipping Limited and BUE Kashagan Limited.
- (f) Team XLIII Limited, Team XLIV Limited, Team XLV Limited, Team XLVI Limited and Team XLVII Limited were incorporated in the current year for the purposes of charter of marine vessels. The Group owns the entire issued capital of these companies.

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

3 BASIS OF PREPARATION (Continued)

Use of estimates and judgments

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

Subsidiaries

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

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

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

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

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-controlling interest

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

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

Revenue recognition

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

Marine charter

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

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

Sale of vessels

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

Dividend

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

Finance income and expenses

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

Finance expense comprises interest expense on borrowings and losses on hedging instruments that are recognised in consolidated statement of comprehensive income. All borrowing costs are recognised in consolidated statement of comprehensive income using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset, which

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Foreign operations

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

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

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

Income tax

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

	<u>Life in years</u>
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 are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dry docking costs

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

Vessel refurbishment costs

Owned assets

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

Intangible assets

Goodwill

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

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial instruments

Non-derivative financial assets

Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to that cash generating unit and then to reduce the carrying amounts of the other assets in that cash generating unit on a pro rata basis.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use over its useful life and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

discounted to their present value using a pretax discount rate that reflects current market assessments of time value of money and risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

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

Inventories

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

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Employees' end of service benefits

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

Defined benefit plans

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

The liability recognised in the 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 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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2015

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015 and have an impact on the Group:

- IAS 19 (amendment), 'Employee benefits' (effective 1 July 2014).

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015 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 2015, 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:

- IAS 1 (amendment) 'Presentation of Financial Statements' (effective from 1 January 2016);
- IFRS 11 (amendment), 'Joint arrangements' (effective from 1 January 2016);
- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets'(amendment) (effective 1 January 2016);
- IFRS 10 'Consolidated financial statements' and IAS 28 'Investment in associates' (amendment) (effective from 1 January 2016);
- IAS 27 (amendment) 'Separate financial statements' (effective from 1 January 2016);
- IFRS 9, 'Financial instruments: Classification and Measurement' (effective from 1 January 2018);
- IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016); and
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018).

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

6 REVENUE

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Charter and other revenues from marine vessels	351,935	377,922
Income from mobilization of marine vessels	8,035	10,200
Sale of marine vessels	2,500	16,500
	<u>362,470</u>	<u>404,622</u>

7 IMPAIRMENT LOSSES

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Impairment loss on accounts receivable (refer note 15)	226	4,528
Impairment loss on property, plant and equipment (refer note 12)	71,000	4,000
	<u>71,226</u>	<u>8,528</u>

8 OTHER INCOME

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Unclaimed balances written back	—	53
Gain on disposal of property, plant and equipment	—	19
Miscellaneous income	100	354
	<u>100</u>	<u>426</u>

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

9 FINANCE INCOME AND COSTS

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Recognised in profit or loss		
Interest income	—	52
Exchange gain	777	—
Fair value changes of derivative financial instruments (refer ⁽ⁱ⁾ below and note 29) . .	194	1,254
Charge on discontinuance of hedge accounting	—	158
Finance income	<u>971</u>	<u>1,464</u>
Interest expense	70,217	62,789
Exchange loss	—	2,332
Finance costs	<u>70,217</u>	<u>65,121</u>
Recognised in other comprehensive income		
Reclassification on discontinuance of hedge accounting (refer note 29)	—	(158)
Finance income	<u>—</u>	<u>(158)</u>

(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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

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:

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
<i>Current taxation</i>		
Foreign tax	20,721	22,219
Corporation tax	422	616
Total current tax	<u>21,143</u>	<u>22,835</u>
<i>Deferred tax</i>		
Current year	983	(7)
Prior year	121	(457)
Total deferred tax	<u>1,104</u>	<u>(464)</u>
Tax expense for the year	<u>22,248</u>	<u>22,371</u>
Tax liabilities	<u>20,370</u>	<u>20,192</u>

The Group's consolidated effective tax rate is (61%) for 2015 (2014: 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:

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Profit before income tax of Group entities operating in taxable jurisdictions	16,680	59,712
Less: Non-taxable profits earned by these entities	(2,066)	(25,940)
Profit subject to tax included in the profit/(loss) for the year	<u>14,614</u>	<u>33,772</u>
Tax at the applicable average UK tax rate of 29.3% (2014: 21.49%) based on profits generated by Group entities registered in UK	4,296	7,258
Tax effect of expenses that are not deductible in determining taxable profit	89	123
Effect of different tax rates of subsidiaries operating in jurisdictions other than UK	17,742	15,185
Adjustment to prior year's tax payable	121	(195)
Tax expense for the year	<u>22,248</u>	<u>22,371</u>

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 (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year is stated after charging:

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Staff costs (all operations and administration staff costs)	102,506	105,545
Rental-operating leases	7,722	13,826
Depreciation (note 12)	70,504	61,547

Staff costs include personnel costs of all segments.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, machinery furniture, fixtures and office equipment	Marine vessels	Motor vehicles	Capital work in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:						
At 1 January 2014	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
Additions	—	785	36,092	149	20,486	57,512
Transfers	—	24	48,970	—	(48,994)	—
Transfer to current assets	—	—	(1,628)	—	—	(1,628)
Disposals/write offs	—	(2)	(4,720)	—	—	(4,722)
At 31 December 2015	3,958	14,050	1,673,498	989	36,454	1,728,949
Accumulated depreciation:						
At 1 January 2014	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 mob costs	—	—	2,517	—	—	2,517
At 31 December 2014	754	10,002	351,717	758	—	363,231
Charge for the year	159	1,027	69,217	101	—	70,504
Impairment (Note 7)	—	—	71,000	—	—	71,000
Relating to disposals/write offs	—	(2)	(1,113)	—	—	(1,115)
Amortisation of mob costs	—	—	2,890	—	—	2,890
At 31 December 2015	913	11,027	493,711	859	—	506,510
Net carrying amount						
At 31 December 2015	3,045	3,023	1,179,787	130	36,454	1,222,439
At 31 December 2014	3,204	3,241	1,243,067	82	64,962	1,314,556

Marine vessels with a net book value of USD 815,816 thousand (2014: USD 637,581 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 210 thousand (2014: USD 3,732 thousand). Borrowing costs were capitalised at the weighted average rate of 4.1% (2014: 9.2%).

During the year an impairment charge of USD 71,000 thousand (2014: USD 4,000 thousand) has been recognised for marine vessels (refer note 7).

The depreciation charge has been allocated as follows:

	2015	2014
	USD'000	USD'000
Direct costs	69,429	60,643
Administrative expenses	1,075	904
	70,504	61,547

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Notes to the consolidated financial statements (Continued)

13 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	2015 Computer software	Total	Goodwill	2014 Computer software	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January	26,174	514	26,688	26,174	592	26,766
Additions	—	621	621	—	—	—
Amortisation	—	(66)	(66)	—	(78)	(78)
At 31 December	26,174	1,069	27,243	26,174	514	26,688
Cost (gross carrying amount)	26,174	2,568	28,742	26,174	1,947	28,121
Accumulated amortisation	—	(1,499)	(1,499)	—	(1,433)	(1,433)
Net carrying amount	26,174	1,069	27,243	26,174	514	26,688

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

Goodwill comprises the following:

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

Goodwill has been allocated to 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:

	2015 USD'000	2014 USD'000
BUE Marine Limited Unit	18,383	18,383
Doha Marine Services Unit	7,791	7,791
	26,174	26,174

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

Key assumptions used in discounted cash flow projection calculations

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

Discount rate

The discount rate used for value in use calculation in 2015 is 11.70% (2014: 11.56%).

Terminal value calculations

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

Growth rate

The growth rate used for value in use calculation in 2015 is 3% (2014: 3%).

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

13 INTANGIBLE ASSETS AND GOODWILL (Continued)

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 2015, 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.

14 INVENTORIES

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Stores, spares and consumables	<u>3,326</u>	<u>4,314</u>
Movement in the provision for slow moving inventories were as follows:		
At 1 January	—	102
Write-off during the period	<u>—</u>	<u>(102)</u>
At 31 December	<u>—</u>	<u>—</u>

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Trade accounts receivable	<u>93,168</u>	86,450
Allowance for impairment of receivable	<u>(8,627)</u>	<u>(8,668)</u>
	<u>84,541</u>	77,782
Deferred mobilisation costs (including non-current portion)	970	6,317
Value added tax (VAT) recoverable	199	1,619
Prepaid expenses	2,941	2,551
Advance to suppliers	5,197	4,845
Retention receivable	1,934	2,776
Receivable from Non-controlling interests	—	12,700
Other receivables (including non-current portion)	<u>5,773</u>	<u>4,892</u>
	<u>101,555</u>	113,482
Less: Non-current portion	<u>(1,397)</u>	<u>(888)</u>
	<u>100,158</u>	<u>112,594</u>

At 31 December 2015, trade receivables with a nominal value of USD 8,627 (2014: USD 8,668 thousand) were impaired. Movement in the allowance for impairment of receivables is as follows:

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
At 1 January	<u>8,668</u>	4,892
Charge for the year (refer note 7)	226	4,528
Amounts written off	<u>(309)</u>	<u>(1,495)</u>
Transfer	42	743
At 31 December	<u>8,627</u>	<u>8,668</u>

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

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

	2015	2014
	USD'000	USD'000
GCC	18,754	14,988
Caspian	55,484	46,373
Others	10,303	16,421
At 31 December	<u>84,541</u>	<u>77,782</u>

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

	Total	Neither past due nor impaired	Past due but not impaired				
	USD'000	USD'000	<30 days	30–60 days	60–90 days	90–120 days	>120 days
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
2015	84,541	52,009	14,393	6,362	4,109	1,051	6,617
2014	77,782	56,140	10,359	3,614	1,778	508	5,383

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

16 BANK BALANCES AND CASH

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

	2015	2014
	USD'000	USD'000
Cash at bank		
—Deposits under lien (refer ⁽ⁱ⁾ below)	—	13,000
—Current accounts	55,037	50,232
	<u>55,037</u>	<u>63,232</u>
Cash in hand	32	182
	<u>55,069</u>	<u>63,414</u>
Less: Deposits under lien	—	(13,000)
Cash and cash equivalents	<u>55,069</u>	<u>50,414</u>

(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 note 20).

17 SHARE CAPITAL

	2015	2014
	USD'000	USD'000
<i>Authorised</i>		
400,000,000 shares of USD 1 each (2014: 400,000,000 shares of USD 1 each)	400,000	400,000
<i>Issued and fully paid</i>		
284,719,616 shares of USD 1 each (2014: 284,719,616 shares of USD 1 each)	284,720	284,720

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

17 SHARE CAPITAL (Continued)

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 has been used by the Company to fund growth 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.

18 STATUTORY RESERVE

As required by the UAE Federal Law No. (2) of 2015 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. During the year, the Group transferred the amount of statutory reserve to retained earnings as the amount is no longer required.

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.

In 2014: USD 158 thousand was charged to the income statement due to the discontinuance of hedge accounting.

20 TERM LOANS

	2015	2014
	USD'000	USD'000
\$350M 8.625% Senior Notes due 2018	342,462	340,249
Term loan, at LIBOR plus 2.75% p.a. repayable by April 2022	328,852	—
Term loan, at LIBOR plus 4.00% p.a. repayable by August 2017	—	129,824
Term loan, at LIBOR plus 3.75% p.a. repayable by June 2018	—	100,596
Term loan, at LIBOR plus 3.50% p.a. repayable by June 2020	—	45,610
Term loan, at LIBOR plus 2.65% p.a. repayable by July 2022	—	16,600
Term loan at 5.75% p.a. repayable by October 2017	—	14,511
Term loan, at LIBOR plus 3.95% p.a. repayable by October 2017	—	8,811
Term loan, at LIBOR plus 3.95% p.a. repayable by May 2018	—	8,671
Term loan, at LIBOR plus 3.75% p.a. repayable by October 2016	—	20,000
	671,314	684,872
Current portion	(30,000)	(56,709)
Non-current portion	641,314	628,163

- (i) During the year, the Group successfully refinanced its existing bank debt amounting to USD 313,659 thousand under various facilities. As a result of this refinancing, on 30 April 2015, the Group entered into an agreement with a syndicate of banks for a financing facility of USD 550 million. The existing liabilities under the target restructure loans were prepaid and were replaced by a new term loan amounting to USD 328,852 thousand as at 31 December 2015. The Group recognised a charge on extinguishment of debt of USD 8.4 million in 2015 in relation to the prepayment of these term loans. The amount is included as part of finance cost in the consolidated statement of comprehensive income. The new term loan carries interest at the rate of three-month LIBOR plus 2.75% and is repayable in quarterly instalments till April 2022.
- (ii) 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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

20 TERM LOANS (Continued)

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 were 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.

As at 31st December 2015, the fair value of the Senior Notes is approximately USD 320 million (2014: USD 322 million)

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

The term and Senior notes are repayable as follows:

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Due within one year	30,000	56,709
Due between two to five years	466,317	608,908
Due after five years	174,997	19,255
	<u>671,314</u>	<u>684,872</u>

The borrowing arrangements include undertakings to comply with various covenants including net debt to EBITDA ratio and EBITDA to debt service ratio as well as an undertaking to maintain a minimum tangible net worth which shall not be less than USD 500 million and minimum total free liquidity which shall not be less than USD 30 million.

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

21 LOAN DUE TO HOLDING COMPANY

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Term loan at 7% p.a. repayable by November 2019 (refer ⁽ⁱ⁾ below)	26,000	28,000
Term loan at 8.50% p.a. repayable by September 2017 (refer ⁽ⁱⁱ⁾ below)	78,000	78,000
	<u>104,000</u>	106,000
Current portion	<u>(28,000)</u>	(28,000)
Non-current portion	<u>76,000</u>	78,000
The loan is repayable as follows:		
Due within one year	28,000	28,000
Due between two to five years	76,000	78,000
	<u>104,000</u>	<u>106,000</u>

(i) This represents a loan obtained from the Ultimate Holding Company for the purpose of financing the acquisition of certain vessels for 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.

22 EMPLOYEES' END OF SERVICE BENEFITS

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

22 EMPLOYEES' END OF SERVICE BENEFITS (Continued)

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: 4.16% p.a.
- Salary increases: 3%–5% p.a.

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

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
At 1 January	4,079	3,072
Provided during the year	302	1,345
End of service benefits paid	(513)	(338)
At 31 December	<u>3,868</u>	<u>4,079</u>

23 ACCOUNTS PAYABLE AND ACCRUALS

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
<i>Current</i>		
Trade accounts payables	6,675	13,234
Accrued expenses	33,840	26,069
Advance from customers	—	1,552
Deferred income	1,920	4,888
Other payables	10,584	8,544
	<u>53,019</u>	<u>54,287</u>
<i>Non-current</i>		
Deferred income	574	1,485
	<u>574</u>	<u>1,485</u>

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:

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	Revenue	Interest	Revenue	Interest
	USD'000	USD'000	USD'000	USD'000
Related parties	—	8,684	—	10,558

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

24 RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

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

	2015	2014
	USD'000	USD'000
Short term benefits	3,419	3,189
Employees' end of service benefits	123	102
	<u>3,542</u>	<u>3,291</u>
Due from related parties		
Directors	—	1
Topaz Engineering Ltd	16,481	16,922
Topaz Energy and Marine Plc,UK	83	271
Tawoos	4	9
	<u>16,568</u>	<u>17,203</u>
Due to related parties		
Renaissance Services SAOG	564	604
	<u>564</u>	<u>604</u>

25 DEFERRED TAX ASSET

	2015	2014
	USD'000	USD'000
At 1 January	2,568	2,104
Credit to profit or loss	(1,104)	464
At 31 December	<u>1,464</u>	<u>2,568</u>

The deferred tax balance at 31 December 2015 comprises depreciation in excess of capital allowances of USD 617 thousand (2014: USD 1,818 thousand) and short term temporary differences of USD 847 thousand (2014: USD 750 thousand).

The UK corporation tax rate will reduce from 20% to 18% over a period of 4 years from 2016. The next reduction in the UK corporation tax rate from 20% to 19% is effective from 1 April 2017, followed by a reduction from 19% to 18% effective 1 April 2020. As the rate change from 19% to 18% had been substantively enacted before the balance sheet date, deferred tax is recognised at a rate of 18% (refer note 10).

26 CONTINGENCIES AND CLAIMS

Contingent liabilities

	2015	2014
	USD'000	USD'000
Letters of credit	9,000	—
Letters of guarantee	22,243	26,562
	<u>31,243</u>	<u>26,562</u>

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

27 NON-CANCELLABLE LEASES

a) Operating leases—receivable

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

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Within one year	200,706	230,199
Between two to five years	257,809	218,947
More than five years	<u>—</u>	<u>14,746</u>
	<u>458,515</u>	<u>463,892</u>

b) Operating leases—payable

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

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Within one year	<u>—</u>	152
Between one and five years	<u>—</u>	<u>363</u>
	<u>—</u>	<u>515</u>

During the year ended 31 December 2015 an amount of USD Nil thousand (2014: USD 13,826 thousand) was recognised as an expense in profit or loss in respect of bareboat charter of marine vessels obtained on operating lease.

28 COMMITMENTS

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Capital expenditure commitment:		
Purchase of marine vessels	<u>141,300</u>	<u>25,540</u>

The Group has paid its prior year expenditure commitments in relation to the acquisition of two vessels which were capitalised as property, plant and equipment during the year ended 31 December 2015.

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

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29 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Negative fair value	Notional amount total	Notional amounts by term to maturity		
			Within 1 year	Between 1 year to 5 years	Over 5 years
	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2015 Interest rate swaps	—	—	—	—	—
31 December 2014 Interest rate swaps	1,359	118,145	29,677	88,468	—

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

- An amount USD Nil (2014: 30,520 thousands) at a fixed margin of 0% (2014: 2.5%) per annum, excluding margin;
- An amount of USD Nil (2014: USD 57,221 thousands) at the rate 0% (2014: 0.83%) per annum, excluding margin.
- An amount of USD Nil (2014: USD 3,438 thousands) at the rate of 0% (2014: 3.25%) per annum, excluding margin; and
- An amount of USD Nil (2014: USD 26,966 thousands) at the rate of 0% (2014: 1.97%) per annum, excluding margin.

At 31 December 2014 the six months US LIBOR was approximately 0.34% per annum. Accordingly, the gap between US LIBOR and fixed rate under IRS was approximately 2.16%, 2.91%, 1.63% and 0.49% per annum.

Based on the interest rates gap, over the life of the IRS, the indicative losses were assessed at approximately USD Nil (2014: USD 1,359 thousands) 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 Nil (2014: USD 1,359 thousands) has been recorded under current and non-current liabilities and the impact for the year amounting to USD Nil (2014: USD 1,412 thousands) has been recorded under finance income (refer note 9) and USD Nil (2014: USD 158 thousands) has been recognised in other comprehensive income.

In 2015 the Group settled all its IRS. The amount paid, which is equal to the fair value of the instrument at the date of settlement, is included as part of finance cost in the consolidated statement of comprehensive income.

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

Risk management framework

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

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

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

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

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

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

Credit risk

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

Trade accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Approximately 36% (2014: 22%) of the Group's revenue is attributable to sales transactions with a single customer. The Group's ten largest customers account for 84% (2014: 52%) of the outstanding trade accounts receivable as at 31 December 2015. 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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

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:

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Trade accounts receivable-Net	84,542	77,782
Other receivables and accrued income	7,281	24,910
Due from related parties	16,568	17,203
Cash at bank	55,037	63,232
	<u>163,428</u>	<u>183,127</u>

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 2015, the Group had undrawn facilities of USD 240 million (2014: USD 40.0 million) and a bank overdraft facility of Nil (2014: USD 10.0 million).

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Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015, based on contractual undiscounted payments.

		Contractual cash flows			
	Carrying amount		Due within 1 year	Due in 1 to 5 years	Due after 5 years
	USD'000	USD'000	USD'000	USD'000	USD'000
At 31 December 2015					
Non derivative financial liabilities					
Accounts payable and accruals	51,100	(51,100)	(51,100)	—	—
Term loans	671,314	(829,466)	(72,777)	(574,987)	(181,702)
Loan due to holding company	104,000	(117,930)	(61,735)	(56,195)	—
Due to related parties	564	(564)	(564)	—	—
Total	826,978	(999,060)	(186,176)	(631,182)	(181,702)
At 31 December 2014					
Non derivative financial liabilities					
Accounts payable 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)

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.

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 2015, after taking into account the effect of interest rate swaps, approximately 57% of the Group's borrowings are at a fixed rate of interest (2014: 74%) of which Nil (2014: 7%) are linked to hedging instruments designated as such in accordance with IFRS.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

Profile

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

	Carrying amount	
	2015	2014
	USD'000	USD'000
Fixed rate instruments		
Financial assets	32	13,182
Financial liabilities	(446,462)	(460,760)
Variable rate instruments		
Financial liabilities	(328,852)	(330,113)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp Increase	100 bp Decrease
	USD'000	USD'000	USD'000	USD'000
31 December 2015				
Variable rate instruments	(3,289)	3,289	(3,289)	3,289
31 December 2014				
Variable rate instruments	(3,301)	3,301	(3,301)	3,301

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

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

	Figures are in '000								
	EUR	AZN	KZT	RUB	GBP	NOK	NGN	JPY	SGD
31 December 2015									
Bank balances	6	19	4,313	42,229	1	10	120,413	—	—
Trade accounts payables	(437)	(312)	(11,501)	(55)	(100)	(192)	(30,914)	(1,304)	(5)
Net statement of financial position exposure	<u>(431)</u>	<u>(293)</u>	<u>(7,188)</u>	<u>42,174</u>	<u>(99)</u>	<u>(182)</u>	<u>89,499</u>	<u>(1,304)</u>	<u>(5)</u>
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	<u>(1,075)</u>	<u>(974)</u>	<u>(108,353)</u>	<u>199,533</u>	<u>(105)</u>	<u>(2,163)</u>	<u>143,035</u>	<u>(3,306)</u>	<u>(297)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
Euro (EUR)	0.869	0.753	0.915	0.823
Azerbaijan New Manat (AZN)	0.916	0.784	1.049	0.784
Kazakhstan Tenge (KZT)	259.59	177.44	338.85	180.32
Russian Rouble (RUB)	64.87	38.42	73.29	56.45
Great Britain Pound (GBP)	0.659	0.607	0.675	0.644
Norwegian Kroner (NOK)	8.093	6.299	8.75	7.436
Japanese Yen (JPY)	120.18	105.84	120.36	120.00
Singapore dollars (SGD)	1.367	1.267	1.41	1.323
Nigerian Naira (NGN)	189.14	163.59	197.29	180.98

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 2014.

	Effect on profit before tax	
	Strengthening by 5%	Weakening by 5%
2015	USD'000	USD'000
Euro (EUR)	24	(24)
Azerbaijan New Manat (AZN)	15	(15)
Great Britain Pound (GBP)	7	(7)
Kazakhstan Tenge (KZT)	2	(2)
Norwegian Kroner (NOK)	1	(1)
Singapore dollars (SGD)	—	—
Nigerian Naira (NGN)	8	(8)

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

2014	Effect on profit before tax	
	Strengthening by 5%	Weakening by 5%
	USD'000	USD'000
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

Capital management

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

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

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

	2015	2014
	USD'000	USD'000
Interest bearing loans and borrowings	775,314	790,872
Less: cash and short term deposits	(55,069)	(63,414)
Net debt	720,245	727,458
Equity	573,955	669,347
Capital and net debt	1,294,200	1,396,805
Gearing ratio	55.65%	52.08%

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.

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 is 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);

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
31 December 2015				
Derivative financial liabilities	—	—	—	—
31 December 2014				
Derivative financial liabilities	—	1,359	—	1,359

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 organized into three major geographic segments. These segments are the basis on which the Group reports its primary segmental information. These are:

- Caspian
- MENA
- Africa

The above segments is after consideration of an internal reorganisation implemented in 2015 due to changes in the composition of the various segments disclosed in 2014 consolidated financial statements on account of transfer of the operating decisions relating to various vessels from Global to MENA and Africa. Accordingly the 2014 segment information have been restated in order to conform to current year presentation.

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

32 OPERATING SEGMENTS (Continued)

The following table presents segmental information about these businesses:

OPERATING SEGMENT—2015

	Caspian	Mena	Africa	Corporate	Elimination	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	227,985	105,647	28,838	—	—	362,470
Direct costs	(109,968)	(74,184)	(33,088)	(1,360)	10	(218,590)
Gross profit (loss)/segment results . .	118,017	31,463	(4,250)	(1,360)	10	143,880
Administrative expenses	(15,053)	(9,647)	(5,802)	(9,250)	—	(39,752)
Impairment loss	(24,008)	(30,118)	(7,300)	(9,800)	—	(71,226)
Other income	19	18	63	—	—	100
Finance costs, net	(32,003)	(12,765)	(9,882)	(14,596)	—	(69,246)
Income tax expense	(15,327)	(3,653)	(3,268)	—	—	(22,248)
Profit/(loss) for the year	31,645	(24,702)	(30,439)	(35,006)	10	(58,492)
Accumulated depreciation and amortisation	37,257	25,562	6,838	923	(10)	70,570
Assets	772,978	403,726	148,629	71,144	31,187	1,427,664
Liabilities	205,077	157,182	32,663	458,836	(49)	853,709

OPERATING SEGMENT—2014

	Caspian	Mena	Africa	Corporate	Elimination	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	223,478	143,929	38,493	—	(1,278)	404,622
Direct costs	(104,264)	(83,435)	(30,288)	(291)	1,027	(217,251)
Gross profit (loss)/segment results . .	119,214	60,494	8,205	(291)	(251)	187,371
Administrative expenses	(15,768)	(9,312)	(5,411)	(10,654)	—	(41,145)
Impairment loss	—	(240)	(8,288)	—	—	(8,528)
Other income	219	37	151	19	—	426
Finance costs, net	(36,002)	(12,562)	(8,104)	(6,989)	—	(63,657)
Income tax expense	(15,809)	(3,766)	(2,947)	151	—	(22,371)
Profit/(loss) for the year	51,854	34,651	(16,394)	(17,764)	(251)	52,096
Accumulated 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

33 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 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 2015 was USD 26,174 (2014: USD 26,174 thousand). Also refer note 13.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2015 was USD 1,179,787 thousand (2014: USD 1,243,067 thousand).

The recoverable amount of all vessels has been determined based on value in use calculations where the fair value less cost to sell was lower than the carrying amount. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 5 years based on the expected utilization rates of the individual vessels. Cash flows beyond five years are estimated 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 2,193 thousand (2014: 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 3,535 thousand (2014: USD 570 thousand) and USD 5,575 thousand (2014: 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 93,168 thousand (2014: USD 86,450 thousand) and the provision for doubtful debts was USD 8,627 thousand (2014: USD 8,668 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be impaired will be recognised in 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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

At the reporting date, gross inventories were USD 3,326 thousand (2014: USD 4,314 thousand) with provisions for old and obsolete inventories of USD Nil (2014: Nil). Any difference between the amounts actually realised in future periods and the amounts provided will be recognised in consolidated income statement. Also refer 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 applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

Effectiveness of hedge relationship

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

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 note 4).

Leases

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

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

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

- the lease periods are generally for a short term (10 years) when compared with the overall estimated economic life of the vessels (30 years or more);
- the leases do not automatically transfer the ownership of the vessels at the end of the lease term;
- the Group is responsible for regular dry-docking and insurance in addition to maintenance of the vessels;

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

- 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. In 2015, the Group received the return of five (5) vessels as agreed with the customer.

Current and non-current classification of bank borrowings

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

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

34 DIVIDENDS

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

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

35 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2015 is based on the loss attributable to the shareholders of the Company of USD 78,769 thousand (2014: profit attributable to shareholders of the Company of USD 32,121 thousand) and a weighted average number of ordinary shares outstanding of 284,719 thousand (2014: 263,392 thousand).

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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

36 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised statement of financial position

	2015	2014
	USD'000	USD'000
Current		
Assets	106,595	58,826
Liabilities	195,281	209,644
Total current net assets	(88,686)	(150,818)
Non-current		
Assets	516,008	535,545
Liabilities	145,374	141,679
Total non-current net assets	370,634	393,866
Net assets	281,948	243,048

Summarised statement of comprehensive income

	2015	2014
	USD'000	USD'000
Revenue	98,915	97,257
Profit before income tax	41,249	40,566
Income tax expense	(695)	(575)
Profit for the year from continuing operations	40,554	39,991
Other comprehensive income	—	—
Total comprehensive income for the year	40,554	39,991
Total comprehensive income allocated to non-controlling interests	20,277	19,975
Dividends paid to non-controlling interests	2,200	—

Summarised statement of cash flows

Cash flows from operating activities	2015	2014
	USD'000	USD'000
Cash generated from operations	30,155	103,024
Income taxes paid	(273)	(575)
Interest paid	(26,443)	(27,757)
End of service benefits paid	—	—
Net cash generated from operating activities	3,439	74,692
Net cash used in investing activities	(1,452)	(97,273)
Net cash (used in)/generated from financing activities	(13,239)	24,264
Net (decrease)/increase in cash and cash equivalents	(11,252)	1,683
Cash and cash equivalents at 1 January	13,949	12,267
Cash and cash equivalents at 31 December	2,697	13,949

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

37 FINANCIAL INSTRUMENTS BY CATEGORY

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

	<u>Note</u>	<u>2015</u> USD'000	<u>2014</u> USD'000
Loans and receivables			
Current			
Trade and other receivables (excluding prepayments and advances)	15	89,649	96,802
Due from related parties	24	16,568	17,203
Bank balances and cash	16	55,069	63,414
		<u>161,286</u>	<u>177,419</u>
Other financial liabilities at amortised cost			
Non-current			
Term loans	22	641,314	628,163
Loan due to holding company	23	76,000	78,000
		<u>717,314</u>	<u>706,163</u>
Current			
Trade and other payables (excluding deferred income and advance from customers)	25	51,099	47,847
Term loans	22	30,000	56,709
Loan due to holding company	23	28,000	28,000
Due to related parties	26	564	604
		<u>109,663</u>	<u>133,160</u>
Total		<u>826,977</u>	<u>839,323</u>
Liabilities at fair value through profit and loss			
Current			
Derivative financial instruments	31	<u>—</u>	<u>1,359</u>
Total		<u><u>—</u></u>	<u><u>1,359</u></u>

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Consolidated financial statements
For the year ended 31 December 2014

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

Consolidated financial statements

31 December 2014

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Independent Auditors 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

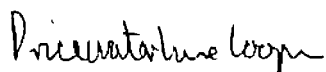
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

**Consolidated statement of comprehensive income
for the year ended 31 December**

	<u>Notes</u>	<u>2014</u> <u>USD'000</u>	<u>2013</u> <u>USD'000</u>
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 auditors' report is set out on page F-122.

The attached notes on pages F-128 to F-169 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
As at 31 December

	Notes	2014 USD'000	2013 USD '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
		<u>1,344,700</u>	<u>1,158,231</u>
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
		<u>197,525</u>	<u>298,006</u>
TOTAL ASSETS		<u>1,542,225</u>	<u>1,456,237</u>
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		<u>669,347</u>	<u>540,914</u>
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
		<u>711,727</u>	<u>733,741</u>
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
		<u>161,151</u>	<u>181,582</u>
Total liabilities		<u>872,878</u>	<u>915,323</u>
TOTAL EQUITY AND LIABILITIES		<u>1,542,225</u>	<u>1,456,237</u>

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

Chief Financial Officer

The independent auditors' report is set out on page F-122.

The attached notes on pages F-128 to F-169 form part of these consolidated financial statements.

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

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

	<u>Notes</u>	<u>2014</u> USD'000	<u>2013</u> USD'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	55,765
Amortisation of mobilisation		9,175	11,852
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 auditors' report is set out on page F-122.

The attached notes on pages F-128 to F-169 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**

	Attributable to Owners of the Company					Non-	Total
	Share capital	Statutory reserve	Hedging reserve	Retained earnings	Total	controlling interests	equity
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '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 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	<u>256,818</u>	<u>38</u>	<u>158</u>	<u>191,227</u>	<u>448,241</u>	<u>92,673</u>	<u>540,914</u>

The independent auditors' report is set out on page F-122.

The attached notes on pages F-128 to F-169 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 (Continued)**

	Attributable to Owners of the Company						Non- controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Hedging reserve	Retained earnings	Total		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 1 January 2014 . . .	256,818	—	38	158	191,227	448,241	92,673	540,914
Profit for the year	—	—	—	—	32,121	32,121	19,975	52,096
Other comprehensive income (refer note 9)	—	—	—	(158)	—	(158)	—	(158)
Total comprehensive income for the year	—	—	—	(158)	32,121	31,963	19,975	51,938
Transactions with the Owners of the Company								
Additional capital introduced . .	27,902	46,796	—	—	—	74,698	21,797	96,495
Dividend paid to holding company (refer to 34)	—	—	—	—	(20,000)	(20,000)	—	(20,000)
Total transactions with the Owners of the Company . . .	27,902	46,796	—	—	(20,000)	54,698	21,797	76,495
Balance at 31 December 2014 .	284,720	46,796	38	—	203,348	534,902	134,445	669,347

The independent auditors' report is set out on page F-122.

The attached notes on pages F-128 to F-169 form part of these consolidated financial statements.

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

Notes to the consolidated financial statements

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 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 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 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 note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVI Limited	St. Vincent	100%	100%	Charter of marine vessels
TEAM XVII Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XVIII Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
TEAM XX Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIII Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXIV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVI Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXVII Limited [refer note 2 ^(a)]	Marshall Islands	50%	100%	Charter of marine vessels

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
TEAM XXVIII Limited [refer 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
TEAM XXXV Limited	Marshall Islands	100%	100%	Charter of marine vessels
TEAM XXXVI Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
TEAM XXXVII Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
TEAM XXXVIII Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
TEAM XXXIX Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
TEAM XL Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
TEAM XLI Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
TEAM XLII Limited [refer note 2 ^(d)]	Marshall Islands	100%	—	Charter of marine vessels
BUE Marine Limited	United Kingdom	100%	100%	Charter of marine vessels
Topaz BUE Limited	United Arab Emirates	100%	100%	Charter of marine vessels
Topaz Doha Holdings I Limited	St. Vincent	100%	100%	Charter of marine vessels
Topaz Doha Holdings II Limited	St. Vincent	100%	100%	Charter of marine vessels
Caspian Fortress Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Pride Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Baki Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Citadel Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Gala Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Server Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Breeze Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Protector Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Power Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Provider Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
Caspian Islay Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Caspian Jura Limited [refer note 2 ^(a)]	St. Vincent	50%	50%	Charter of marine vessels
Topaz Marine Saudi Arabia Limited	Saudi Arabia	100%	100%	Operation services and technical support for ships
Flying Angel Limited [refer note 2 ^(f)]	St. Vincent	—	100%	Commercial financial Lending and borrowing activities.
Nemo Limited [refer 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 note 2 ^(d)]	Marshall Islands	100%	100%	Charter of marine vessels
Topaz Riverside PTY Limited [refer note 2 ^(d)]	Australia	100%	100%	Charter of marine vessels
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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

2 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

ii) Subsidiaries of BUE Marine Limited

Company	Country of incorporation	Registered percentage shareholding		Principal activities
		2014	2013	
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 note 2 ^(f)]	Scotland	100%	100%	Vessel management
XT Shipping Limited	Scotland	100%	100%	Vessel management
BUE Kashagan Limited	Cayman Islands	100%	—	Vessel management
BUE Maritime Services Limited	Scotland	100%	100%	Vessel management
River Till Shipping Limited	Scotland	100%	100%	Vessel management

iii) Subsidiary of Topaz Doha Holdings II Limited

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 name DMS Jaya	State of Qatar	100%	100%	Charter of marine vessels

- (a) Caspian Fortress Limited, Caspian Pride Limited, Caspian Baki Limited, Caspian Citadel Limited, Caspian Gala Limited, Caspian Server Limited, Caspian Breeze Limited, Caspian Power Limited, Caspian Protector Limited, Caspian Provider, Team VII, Team XV, Team XVII, Team XVIII, Caspian Islay, 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).

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

3 BASIS OF PREPARATION (Continued)

Basis of measurement

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

Functional currency and presentation currency

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

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

Use of estimates and judgments

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

Subsidiaries

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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Disposal of subsidiaries

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

Non-controlling interest

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

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

Revenue recognition

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

Marine charter

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

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

Sale of vessels

Revenue from sale of vessels is recognised in 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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividend

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

Finance income and expenses

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

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

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

Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group disposes of only part of its interest in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of comprehensive income.

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

Income tax

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

Current tax

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

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Earnings per share

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

Property, plant and equipment

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

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

	<u>Life in years</u>
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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
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4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

equipment, and are recognised within other income or other expense in the consolidated statement of comprehensive income.

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

Capital work in progress

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

Dry docking costs

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

Vessel refurbishment costs

Owned assets

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

Intangible assets

Goodwill

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

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

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Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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Notes to the consolidated financial statements (Continued)

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-financial assets

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

The recoverable amount of an asset or its cash generating unit is the greater of its value in use over its useful life 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 pretax discount rate that reflects current market assessments of time value of money and risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

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

Inventories

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

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital

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

Trade and other payables

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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Employees' end of service benefits

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

Defined benefit plans

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

The liability recognised in the 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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Provisions

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

Onerous contracts

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

Leases

Group as a lessee

Leased 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.

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Notes to the consolidated financial statements (Continued)

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends distribution

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

5 DETERMINATION OF FAIR VALUES (Continued)

Other non-derivative financial liabilities

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

6 REVENUE

	2014	2013
	USD'000	USD'000
Charter and other revenues from marine vessels	377,922	360,954
Income from mobilization of marine vessels	10,200	7,794
Sale of marine vessels	16,500	7,698
	<u>404,622</u>	<u>376,446</u>

7 IMPAIRMENT LOSSES

Impairment loss on accounts receivable (refer note 15)	4,528	4,839
Impairment loss on property, plant and equipment (refer note 12)	4,000	—
	<u>8,528</u>	<u>4,839</u>

8 OTHER INCOME

Unclaimed balances written back	53	129
Gain on disposal of property, plant and equipment	19	—
Miscellaneous income	354	1,763
	<u>426</u>	<u>1,892</u>

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

9 FINANCE INCOME AND COSTS

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

(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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

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

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 USD'000	2013 USD'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	<u>33,772</u>	<u>43,522</u>
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	<u>22,371</u>	<u>18,836</u>

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 USD'000	2013 USD'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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, machinery furniture, fixtures and office equipment	Marine vessels	Motor vehicles	Capital work in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:						
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 mob 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 mob 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 note 35).

The depreciation charge has been allocated as follows:

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

13 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	2014 Computer software	Total	Goodwill	2013 Computer software	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'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 comprise of the following:

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

Goodwill has been allocated to 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 USD'000	2013 USD'000
BUE Marine Limited Unit	18,383	18,383
Doha Marine Services Unit	7,791	7,791
	26,174	26,174

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

Key assumptions used in discounted cash flow projection calculations

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

Discount rate

The discount rate used for value in use calculation in 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%).

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

13 INTANGIBLE ASSETS AND GOODWILL (Continued)

Sensitivity to changes in assumptions

Management believes that there is adequate headroom, particularly with reference to 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.

14 INVENTORIES

	<u>2014</u>	<u>2013</u>
	USD'000	USD'000
Stores, spares and consumables	4,314	4,280
Provision for slow moving inventories	<u>—</u>	<u>(102)</u>
	<u>4,314</u>	<u>4,178</u>

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	<u>—</u>	<u>102</u>
At 31 December	<u>—</u>	<u>102</u>

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>2014</u>	<u>2013</u>
	USD'000	USD'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)
	<u>112,594</u>	<u>107,433</u>

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:

	<u>2014</u>	<u>2013</u>
	USD'000	USD'000
At 1 January	4,892	4,705
Charge for the year (refer note 7)	4,528	4,839
Amounts written off	(1,495)	(4,652)
Transfer	743	—
At 31 December	<u>8,668</u>	<u>4,892</u>

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

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

	2014	2013
	USD'000	USD'000
GCC	14,988	13,847
Caspian	46,373	56,609
Others	16,421	9,871
At 31 December	<u>77,782</u>	<u>80,327</u>

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

		Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'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	2013
	USD'000	USD'000
Cash at bank		
—Deposits under lien (refer ⁽ⁱ⁾ below)	13,000	11,000
—Current accounts	50,232	158,188
	<u>63,232</u>	169,188
Cash in hand	182	109
	<u>63,414</u>	169,297
Less: Deposits under lien	(13,000)	(11,000)
Cash and cash equivalents	<u>50,414</u>	<u>158,297</u>

(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 note 20).

17 SHARE CAPITAL

	2014	2013
	USD'000	USD'000
<i>Authorised</i>		
400,000,000 shares of USD 1 each (2013: 400,000,000 shares of USD 1 each)	<u>400,000</u>	<u>400,000</u>
<i>Issued and fully paid</i>		
284,719,616 shares of USD 1 each (2013: 256,817,094 shares of USD 1 each)	<u>284,720</u>	<u>256,818</u>

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

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

17 SHARE CAPITAL (Continued)

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 growth 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.

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	2013
	USD'000	USD'000
\$350M 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	—
	684,872	670,889
Current portion	(56,709)	(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 were 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

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Notes to the consolidated financial statements (Continued)

20 TERM LOANS (Continued)

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.

- (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 note 12 and 16).

The term and Senior notes are repayable as follows:

	<u>2014</u>	<u>2013</u>
	<u>USD'000</u>	<u>USD'000</u>
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
	<u>684,872</u>	<u>670,889</u>

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

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

21 LOAN DUE TO HOLDING COMPANY

	<u>2014</u>	<u>2013</u>
	<u>USD'000</u>	<u>USD'000</u>
Term loan at 7% p.a. repayable by November 2019 (refer ⁽ⁱ⁾ below)	28,000	30,000
Term loan at 8.50% p.a. repayable by September 2017 (refer ⁽ⁱⁱ⁾ below)	78,000	104,000
	106,000	134,000
Current portion	(28,000)	(28,000)
Non-current portion	<u>78,000</u>	<u>106,000</u>
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
	<u>106,000</u>	<u>134,000</u>

(i) This represents loan obtained from the Ultimate Holding Company for the purpose of financing acquisition of certain vessels USD 30 million and is subordinated to other indebtedness.

(ii) This represents a subordinated loan payable in four equal installments of USD 26 million, starting from November 2014 carrying mark up at the rate of 8.5% p.a. compounded on a quarterly basis.

22 EMPLOYEES' END OF SERVICE BENEFITS

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

Principal actuarial assumptions at the reporting date are as follows:

- Normal retirement age: 60–65 years

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Notes to the consolidated financial statements (Continued)

22 EMPLOYEES' END OF SERVICE BENEFITS (Continued)

- 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	2013
	USD'000	USD'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	<u>4,079</u>	<u>3,072</u>

23 ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
	USD'000	USD'000
<i>Current</i>		
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
	<u>54,287</u>	<u>84,947</u>
<i>Non-current</i>		
Deferred income	1,485	4,190
	<u>1,485</u>	<u>4,190</u>

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	2014	2013	2013
	Revenue	Purchases	Revenue	Purchases
	USD'000	USD'000	USD'000	USD'000
Related parties	<u>—</u>	<u>—</u>	<u>—</u>	<u>865</u>

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Notes to the consolidated financial statements (Continued)

24 RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

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

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

25 DEFERRED TAX ASSET

	2014	2013
	USD'000	USD'000
At 1 January	2,104	4,770
Credit/(Debit) to profit or loss	464	(2,666)
At 31 December	<u>2,568</u>	<u>2,104</u>

The deferred tax balance at 31 December 2014 comprises depreciation in excess of capital allowances of USD1,818 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 4 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 note 10).

26 CONTINGENCIES AND CLAIMS

Contingent liabilities

	2014	2013
	USD'000	USD'000
Letters of credit	—	1,011
Letters of guarantee	26,562	16,854
	<u>26,562</u>	<u>17,865</u>

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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
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27 NON-CANCELLABLE LEASES

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

	2014	2013
	USD'000	USD'000
Within one year	230,199	265,672
Between two to five years	218,947	292,970
More than five years	14,746	63,527
	<u>463,892</u>	<u>622,169</u>

- b) **Operating leases—payable** The Group has commitments for future minimum lease payments under non-cancellable operating leases for marine vessels as follows:

	2014	2013
	USD'000	USD'000
Within one year	152	48,079
Between one and five years	363	76,543
More than five years	—	10,803
	<u>515</u>	<u>135,425</u>

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	2013
	USD'000	USD'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.

	Negative fair value	Notional amount total	Notional amounts by term to maturity		
			Within 1 year	Between 1 year to 5 years	Over 5 years
	USD'000	USD'000	USD'000	USD'000	USD'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	—

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29 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

At 31 December 2014 the six months US LIBOR was approximately 0.34% (2013: 0.35%) per annum. 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%) per annum.

Based on the interest rates gap, over the life of the IRS, the indicative losses were assessed at approximately USD 1,359 thousands (2013: USD 2,613 thousands) 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 thousands (2013: USD 2,613 thousands) has been recorded under current and non-current liabilities and the impact for the year amounting to USD 1,412 thousands (2013: USD 1,089 thousands) has been recorded under finance income (refer note 9) and USD (158 thousands) (2013: USD 2,276 thousands) has been recognised in other comprehensive income.

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

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30 RISK MANAGEMENT (Continued)

relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

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

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

Credit risk

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

Trade accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Approximately 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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

Exposure to credit risk

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

	2014	2013
	USD'000	USD'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
	<u>183,127</u>	<u>285,339</u>

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	Contractual cash flows			
		Total	Due within 1 year	Due in 1 to 5 years	Due after 5 years
	USD'000	USD'000	USD'000	USD'000	USD'000
At 31 December 2014					
<i>Non derivative financial liabilities</i>					
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	<u>839,305</u>	<u>(995,430)</u>	<u>(178,934)</u>	<u>(812,860)</u>	<u>(3,636)</u>
At 31 December 2013					
<i>Non derivative financial liabilities</i>					
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	<u>884,548</u>	<u>(1,136,848)</u>	<u>(213,567)</u>	<u>(872,408)</u>	<u>(50,873)</u>

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Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

Market risk

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

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 keep 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	2013
	USD'000	USD'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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

Cash flow sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp Increase	100 bp Decrease
	USD'000	USD'000	USD'000	USD'000
31 December 2014				
Variable rate instruments	<u>(3,301)</u>	<u>3,301</u>	<u>(3,301)</u>	<u>3,301</u>
31 December 2013				
Variable rate instruments	<u>(3,153)</u>	<u>3,153</u>	<u>(3,153)</u>	<u>3,153</u>

Currency risk

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

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

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

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

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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%	Weakening by 5%
	USD'000	USD'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%	Weakening by 5%
	USD'000	USD'000
2013		
Euro (EUR)	45	(45)
Azerbaijan New Manat (AZN)	98	(98)
Kazakhstan Tenge (KZT)	—	—
Great Britain Pound (GBP)	28	(28)
Norwegian Kroner (NOK)	19	(19)
Singapore dollars (SGD)	—	—

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	2013
	USD'000	USD'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%

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Notes to the consolidated financial statements (Continued)

30 RISK MANAGEMENT (Continued)

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.

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).

	<u>Level 1</u> <u>USD'000</u>	<u>Level 2</u> <u>USD'000</u>	<u>Level 3</u> <u>USD'000</u>	<u>Total</u> <u>USD'000</u>
31 December 2014				
Derivative financial liabilities	<u>—</u>	<u>1,359</u>	<u>—</u>	<u>1,359</u>
31 December 2013				
Derivative financial liabilities	<u>—</u>	<u>2,613</u>	<u>—</u>	<u>2,613</u>

32 OPERATING SEGMENTS

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

Geographic segments

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

- MENA
- Global
- Caspian

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

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32 OPERATING SEGMENTS (Continued)

The following table presents segmental information about these businesses:

OPERATING SEGMENT—2014

	Caspian	MENA	GLOBAL	Corporate	Elimination	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'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	MENA	GLOBAL	Corporate	Elimination	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	227,640	93,633	59,298	—	(4,125)	376,446
Direct costs	(130,026)	(57,115)	(45,307)	(1,467)	3,400	(230,515)
Gross profit (loss)/segment results . .	97,614	36,518	13,991	(1,467)	(725)	145,931
Administrative expenses	(14,625)	(8,702)	(3,419)	(8,575)	—	(35,321)
Impairment loss on account receivable	—	(1,234)	(3,605)	—	—	(4,839)
Other income	305	567	1,020	—	—	1,892
Finance 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

33 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgments in applying accounting

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33 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 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 5 years based on the expected utilization 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 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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 consolidated income statement. Also refer 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 applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

Effectiveness of hedge relationship

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

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 note 4).

Leases

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

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

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

- the lease periods are generally for a short term (10 years) when compared with the overall estimated economic life of the vessels (30 years or more);
- the leases do not automatically transfer the ownership of the vessels at the end of the lease term;
- the Group is responsible for regular dry-docking and insurance in addition to maintenance of the vessels;

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

33 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

- Gthe 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;
- Gthe recent renewal by the customer of one major leasing contract for a secondary period despite the purchase option being available to the lessee; and
- rthe 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 judgment during the year in determining the current and non-current classification of bank borrowings. The classification is based on the repayment terms agreed with the bank, assessing the events and circumstances which can render a loan becoming payable on demand and the status of any negotiations and communications with the creditor banks in this regard.

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

34 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.

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 has non-controlling interests. The non-controlling interest for all these subsidiaries is the same party.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

36 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised statement of financial position

	<u>2014</u>	<u>2013</u>
	USD'000	USD'000
<i>Current</i>		
Assets	58,826	12,568
Liabilities	209,644	153,608
Total current net assets	(150,818)	(141,040)
<i>Non-current</i>		
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

	<u>2014</u>	<u>2013</u>
	USD'000	USD'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

<i>Cash flows from operating activities</i>		
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
<i>Net (decrease)/increase in cash and cash equivalents</i>	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.

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) and its subsidiaries
Notes to the consolidated financial statements (Continued)

37 FINANCIAL INSTRUMENTS BY CATEGORY

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

	<u>Note</u>	<u>2014</u> USD'000	<u>2013</u> USD'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
		<u>177,419</u>	<u>274,765</u>
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
		<u>706,163</u>	<u>725,753</u>
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
		<u>133,301</u>	<u>158,877</u>
Total		<u>839,464</u>	<u>884,630</u>
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		<u>1,359</u>	<u>2,613</u>

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.