

**Topaz Energy and Marine Limited and its Subsidiaries**

**Reports and consolidated financial statements  
for the year ended 31 December 2017**

# **Topaz Energy and Marine Limited and its Subsidiaries**

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## DIRECTORS REPORT

### To the Members,

The Directors have the pleasure in presenting before you the audited consolidated financial statements of Topaz Energy and Marine Limited and its subsidiaries (together, "the Group") for the year ended 31<sup>st</sup> December 2017.

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

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

### Financial performance

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

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

### Topaz Energy & Marine Limited

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c/o BDO Chartered Accountants & Advisors, LOB 16, Office No. 124, P.O. Box 261253, Jebel Ali Free Zone, Dubai, UAE

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P.O. Box 282800, Dubai, United Arab Emirates Tel +971 4 440 47 00 Fax +971 4 440 47 99

## Note 1 – Details of one-off charges are as follows

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

| Particulars                         | US\$ Million  |               |
|-------------------------------------|---------------|---------------|
|                                     | 2017          | 2016          |
| Provision for impairment of vessels | (65.2)        | (99.6)        |
| Impairment of goodwill              | (7.8)         | -             |
| Bond redemption cost                | (19.1)        | -             |
| Total                               | <b>(92.1)</b> | <b>(99.6)</b> |

## Impairment

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

The total goodwill accumulated in our books is US\$36.7m representing US\$7.8m for the Doha Marine Services WLL (DMS) acquisition, US\$18.4m for the BUE Marine Limited and US\$10.5m towards Topaz Energy and Marine Limited. During 2017, the majority of the DMS vessels did not generate sufficient free cash flows, and further its future potential is expected to be much lower. Consequently, the goodwill recorded at the time of DMS acquisition has been written off in 2017.

## Financing

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

## Stability

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

## MARKET AND OUTLOOK

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

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

## DIVIDEND

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

## ACKNOWLEDGEMENT

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



Director



Director



Topaz Energy & Marine Limited

Registered Office  
c/o BDO Chartered Accountants & Advisors, LOB 16, Office No. 124, P.O. Box 261253, Jebel Ali Free Zone, Dubai, UAE  
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

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

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

#### *Basis for Opinion*

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

#### *Key audit matters*

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

Cont'd...

**INDEPENDENT AUDITOR'S REPORT (continued)****Key audit matters (continued)****Key audit matters*****Impairment of the Group's Vessels***

The Group's vessels are its sole revenue generating assets, with a carrying value of US\$0.98 billion at 31 December 2017 (2016: US\$1.06 billion) which represents 65% (2016: 73%) of the Group's total assets at that date. Their recoverable amount is based on an assessment of the higher of fair value less cost to sell and value in use. Estimates of fair value less costs to sell take into consideration vessel valuations from an independent ship broker, whilst value in use is calculated as the net present value of estimated future cash flows, in each case on a vessel by vessel basis. In the current year, there is a risk that the recoverable amounts could be adversely impacted by the continuous prolonged lower prevailing oil and gas prices, due to the resultant impact on the Group's customer base in the oil and gas industry.

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

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

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

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

**How our audit addressed the key audit matters**

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

- Understanding the process by which management has derived its value in use estimates;
- Comparing forecast utilisation and day rates to those achieved in prior periods;
- Comparing forecast day rates to signed contracts for contracted periods, and challenging the basis adopted for day rates elsewhere in the calculations;
- Using our internal valuation specialists to perform an independent recalculation of the discount rate;
- Performing sensitivity analysis, using more conservative assumptions for future day rates, utilization rates and OPEX rates, to take into consideration the current market conditions described above;
- Evaluating the design and implementation of managements controls to address the risk of impairment of the Group's vessels; and
- Testing the mathematical accuracy of the calculations.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Key audit matters (continued)

#### Key audit matters

##### *Revenue recognition - marine services*

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

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

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

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

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

#### How our audit addressed the key audit matters

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

- Agreed the days on hire / standby based on a report from the Group's operations department, on a sample basis to invoice (which state the number of days to which it relates) and to subsequent payment or to debtor confirmation replies. Where balances remain unpaid we have understood the rationale for non-payment through discussions with operational management, review of board minutes and correspondence with customers;
- Performed an analysis on the number of days on hire/standby, obtaining supporting explanation for any gaps and reconciling this to our knowledge of each vessel's operational performance during the year;
- Agreed the day rate to the underlying contract;
- Recalculated the revenue figure and agreed this to both invoice and either subsequent cash received or the year end debtors schedule; and
- For mobilisation and demobilisation revenue, determined whether revenue has been recorded in accordance with the terms of the contract and the Group's accounting policy in this area.

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### *Other Information*

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

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

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

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

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

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

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

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

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

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

**Deloitte & Touche (M.E.)**



Anis Sadek

Partner

Registration No. 521

19 February 2018

Dubai

United Arab Emirates

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2017**

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



Director



Director

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



**Consolidated statement of financial position  
as at 31 December 2017**

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

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




**Consolidated statement of cash flows  
as at 31 December 2017**

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

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

## Attributable to Owners of the Company

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017**

**1. Establishment and operations**

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the “Group”). The principal activities of the Group are provision of offshore supply vessels and other marine vessels on charter primarily to the oil and gas industry.

**2. Subsidiaries**

**i) Subsidiaries of Topaz Energy and Marine Limited, Bermuda**

| <b>Company</b>                          | <b>Country of<br/>incorporation</b> | <b>Registered percentage<br/>shareholding</b> |             | <b>Principal activities</b> |
|-----------------------------------------|-------------------------------------|-----------------------------------------------|-------------|-----------------------------|
|                                         |                                     | <b>2017</b>                                   | <b>2016</b> |                             |
| Topaz Energy and Marine DMCC            | United Arab Emirates                | 100%                                          | 100%        | Ship management services    |
| TEAM II Limited<br>[Refer Note 2(a)]    | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| TEAM IV Limited                         | St. Vincent                         | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM V Limited                          | St. Vincent                         | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM VII Limited<br>[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<br>[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<br>[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<br>[refer note 2 (a)] | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**2. Subsidiaries (continued)**

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

| <b>Company</b>                            | <b>Country of<br/>incorporation</b> | <b>Registered percentage<br/>shareholding</b> |             | <b>Principal activities</b> |
|-------------------------------------------|-------------------------------------|-----------------------------------------------|-------------|-----------------------------|
|                                           |                                     | <b>2017</b>                                   | <b>2016</b> |                             |
| TEAM XVIII Limited<br>[refer note 2 (a)]  | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| TEAM XX Limited                           | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXI Limited                          | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXII Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXIII Limited                        | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXVII Limited<br>[refer note 2 (a)]  | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| TEAM XXVIII Limited<br>[refer note 2 (a)] | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| TEAM XXIX Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXX Limited                          | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXI Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXII Limited                        | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXIII Limited                       | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXIV Limited                        | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXV Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXVI Limited                        | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXVII Limited                       | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXVIII Limited                      | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XXXIX Limited                        | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XL Limited                           | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XLI Limited                          | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XLII Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XLIII Limited                        | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XLIV Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XLV Limited                          | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**2. Subsidiaries (continued)**

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

| <b>Company</b>                                   | <b>Country of<br/>incorporation</b> | <b>Registered percentage<br/>shareholding</b> |             | <b>Principal activities</b> |
|--------------------------------------------------|-------------------------------------|-----------------------------------------------|-------------|-----------------------------|
|                                                  |                                     | <b>2017</b>                                   | <b>2016</b> |                             |
| TEAM XLVI Limited                                | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM XLVII Limited                               | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| TEAM offshore Nig.<br>Limited [refer note 2 (e)] | Nigeria                             | 0%                                            | 0%          | Charter of marine vessels   |
| Topaz Marine Angola<br>Lda. [refer note 2 (e)]   | Angola                              | 0%                                            | 0%          | Charter of marine vessels   |
| TEAM XXXI Limited                                | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels   |
| BUE Marine Limited                               | Scotland                            | 100%                                          | 100%        | Charter of marine vessels   |
| Topaz BUE Limited                                | United Arab<br>Emirates             | 100%                                          | 100%        | Charter of marine vessels   |
| Topaz Doha Holdings<br>I Limited                 | St. Vincent                         | 100%                                          | 100%        | Charter of marine vessels   |
| Topaz Doha Holdings<br>II Limited                | St. Vincent                         | 100%                                          | 100%        | Charter of marine vessels   |
| Caspian Fortress<br>Limited [refer note 2 (a)]   | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| Caspian Pride Limited<br>[refer note 2 (a)]      | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| Caspian Baki Limited<br>[refer note 2 (a)]       | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| Caspian Citadel<br>Limited [refer note 2 (a)]    | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| Caspian Gala Limited<br>[refer note 2 (a)]       | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| Caspian Server<br>Limited [refer note 2 (a)]     | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |
| Caspian Breeze<br>Limited [refer note 2 (a)]     | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels   |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**2. Subsidiaries (continued)**

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

| <b>Company</b>                                  | <b>Country of<br/>incorporation</b> | <b>Registered percentage<br/>shareholding</b> |             | <b>Principal activities</b>                           |
|-------------------------------------------------|-------------------------------------|-----------------------------------------------|-------------|-------------------------------------------------------|
|                                                 |                                     | <b>2017</b>                                   | <b>2016</b> |                                                       |
| Caspian Protector<br>Limited [refer note 2 (a)] | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels                             |
| Caspian Power<br>Limited [refer note 2 (a)]     | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels                             |
| Caspian Provider<br>Limited [refer note 2 (a)]  | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels                             |
| Caspian Islay<br>Limited [refer note 2 (a)]     | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels                             |
| Caspian Jura<br>Limited [refer note 2 (a)]      | St. Vincent                         | 50%                                           | 50%         | Charter of marine vessels                             |
| Topaz Marine<br>Saudi Arabia Limited            | Saudi Arabia                        | 100%                                          | 100%        | Operation services and<br>technical support for ships |
| Topaz Khobar Limited                            | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Khuwair Limited                           | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Khalidiya Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Karama Limited                            | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Karzakkan Limited                         | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Khubayb Limited                           | Marshall Islands                    | 100%                                          | 100%        | Charter of marine vessels                             |
| Ererson Shipping Limited                        | Cyprus                              | 100%                                          | 100%        | Charter of marine vessels                             |
| Heatberg Shipping Limited                       | Cyprus                              | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Marine Limited                            | Bermuda                             | 100%                                          | 100%        | Charter of marine vessels                             |
| Topaz Marine S.A.                               | Luxembourg                          | 100%                                          | 100%        | Investment company                                    |

**ii) Subsidiaries of Topaz Marine Limited, Bermuda**

| <b>Company</b>                            | <b>Country of<br/>incorporation</b> | <b>Registered percentage<br/>shareholding</b> |             | <b>Principal activities</b> |
|-------------------------------------------|-------------------------------------|-----------------------------------------------|-------------|-----------------------------|
|                                           |                                     | <b>2017</b>                                   | <b>2016</b> |                             |
| Topaz Astrakhan<br>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<br>[Refer Note 2(e)] | Nigeria                             | 40%                                           | 40%         | Charter of marine vessels   |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**2. Subsidiaries (continued)**

**iii) Subsidiaries of BUE Marine Limited, Scotland**

| <i>Company</i>                     | <i>Country of<br/>incorporation</i> | <i>Registered percentage<br/>shareholding</i> |             | <i>Principal activities</i> |
|------------------------------------|-------------------------------------|-----------------------------------------------|-------------|-----------------------------|
|                                    |                                     | <i>2017</i>                                   | <i>2016</i> |                             |
| BUE Caspian Limited                | Scotland                            | 100%                                          | 100%        | Vessel management           |
| BUE Kazakhstan Limited             | Scotland                            | 100%                                          | 100%        | Vessel management           |
| BUE Cygnet Limited                 | Scotland                            | 100%                                          | 100%        | Vessel management           |
| BUE Bulkera Limited                | Scotland                            | 100%                                          | 100%        | Vessel management           |
| BUE Shipping Limited               | Scotland                            | 100%                                          | 100%        | Vessel management           |
| Roosalka Shipping Limited          | Scotland                            | 100%                                          | 100%        | Vessel management           |
| BUE Kyran Limited                  | Scotland                            | 100%                                          | 100%        | Vessel management           |
| BUE Marine<br>Turkmenistan Limited | Scotland                            | 100%                                          | 100%        | Vessel management           |
| XT Shipping Limited                | Scotland                            | 100%                                          | 100%        | Vessel management           |
| River Till Shipping Limited        | Scotland                            | 100%                                          | 100%        | Vessel management           |

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

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

**v) Subsidiaries of BUE Kazakhstan Limited, Scotland**

| <i>Company</i>  | <i>Country of<br/>incorporation</i> | <i>Registered<br/>percentage<br/>shareholding</i> |             | <i>Principal activities</i> |
|-----------------|-------------------------------------|---------------------------------------------------|-------------|-----------------------------|
|                 |                                     | <i>2017</i>                                       | <i>2016</i> |                             |
| BUE Aktau LLP   | Kazakhstan                          | 100%                                              | 100%        | Vessel management           |
| BUE Bautino LLP | Kazakhstan                          | 100%                                              | 100%        | Vessel management           |

- a) Caspian Fortress Limited, Caspian Pride Limited, Caspian Baki Limited, Caspian Citadel Limited, Caspian Gala Limited, Caspian Server Limited, Caspian Breeze Limited, Caspian Power Limited, Caspian Protector Limited, Caspian Provider Limited, Team VII Limited, Team XV Limited, Team XVII Limited, Team XVIII Limited, Caspian Islay Limited, Caspian Jura Limited, Team II Limited, Team X Limited, Team XXVII Limited and Team XXVIII Limited have been considered as subsidiaries as the Group has control over these entities, and is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities under management agreements with the respective shareholders.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**2. Subsidiaries (continued)**

- b) BUE Caspian Limited owns the entire issued share capital of BUE Marine Turkmenistan Limited, a company incorporated and registered in Scotland.
- c) The Group owns 49% of the shareholding in Doha Marine Services WLL (“DMS”), an entity incorporated in the State of Qatar. In addition to the above mentioned 49% ownership interest, the Group also has a beneficial interest in a further 51% in DMS through its Ultimate Holding Company. Accordingly, the Group has control over the entity, and is exposed to, or has rights to, variable returns from its involvement with DMS and has the ability to affect those returns through its power over DMS, and therefore, DMS has been consolidated as a subsidiary in these consolidated financial statements
- d) During the year ended 31 December 2017, the Group has not dissolved any of its subsidiaries. During the year ended 31 December 2016, the Group dissolved Nico World II Limited, Nico Far East Pte Limited, Team VI Limited, Team XXVI Limited and DMS Marine SPC.
- e) The Group owns 0% of the shareholding in TEAM offshore Nig. Limited, Topaz Marine Angola Lda. and 40% in Topaz Marine Nig. Ltd. These have been considered as subsidiaries as the Group has control over these entities, and is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities under management agreements with the respective shareholders.

**3. Application of new and revised International Financial Reporting Standards (IFRS)**

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

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

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

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

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

**Amendments to IAS 7 Disclosure Initiative**

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**3.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)**

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

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

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

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

**3.2 New and revised IFRS in issue but not yet effective**

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

| <b><u>New and revised IFRSs</u></b>                                                                                                                                                                                                                                                                                                                                                                           | <b><u>Effective for<br/>annual periods<br/>beginning on or after</u></b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 and IAS 28.                                                                                                                                                                                                                                                                                                                           | 1 January 2018                                                           |
| Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.                                                                                                                                                                                                                                                                                                          | 1 January 2019                                                           |
| IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>                                                                                                                                                                                                                                                                                                                                       | 1 January 2018                                                           |
| The interpretation addresses foreign currency transactions or parts of transactions where:                                                                                                                                                                                                                                                                                                                    |                                                                          |
| <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• 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</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul> |                                                                          |
| IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>                                                                                                                                                                                                                                                                                                                                                        | 1 January 2019                                                           |
| The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:                                                                                                                                                                    |                                                                          |
| <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively;</li> <li>• Assumptions for taxation authorities' examinations;</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> <li>• The effect of changes in facts and circumstances.</li> </ul>                                      |                                                                          |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (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 (continued)**

| <u>New and revised IFRSs</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <u>Effective for<br/>annual periods<br/>beginning on or after</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1 January 2018                                                    |
| Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1 January 2018                                                    |
| Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1 January 2018                                                    |
| IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) (a)<br>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.<br>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:                                                                                                                                                               | 1 January 2018                                                    |
| <ul style="list-style-type: none"> <li>• <b>Classification and measurement:</b> 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.</li> <li>• <b>Impairment:</b> 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.</li> <li>• <b>Hedge accounting:</b> 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.</li> <li>• <b>Derecognition:</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul> |                                                                   |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (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 (continued)**

**New and revised IFRSs**

***Effective for  
annual periods  
beginning on or after***

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

1 January 2019

**Impact assessment of IFRS 9 Financial Instruments**

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

**Classification and measurement:**

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

**Impairment:**

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

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

**IFRS 15 Revenue from Contracts with Customers**

1 January 2018

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (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 (continued)**

**New and revised IFRSs**

***Effective for  
annual periods  
beginning on or after***

**IFRS 15 Revenue from Contracts with Customers (continued)**

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

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

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

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

Amendments to IFRS 15 *Revenue from Contracts with Customers* 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 Leases**

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Based on the preliminary assessment, some of the marine charter agreements may contain a non-leasing component and at adoption, the Group may be required to disclose the leasing and non-leasing components separately on these contracts. The directors are currently still in the process of assessing the impact of the above.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (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 (continued)**

**New and revised IFRSs**

***Effective for  
annual periods  
beginning on or after***

**IFRS 16 Leases (continued)**

**Impact assessment of IFRS 16 Leases**

IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments. For arrangements which meet the definition of a lease under IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact.

It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review for both lessee and lessor agreements.

Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

1 January 2019

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

When IFRS 9 is first applied

**IFRS 17 Insurance Contracts**

1 January 2021

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (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. Adoption is still permitted.

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**4. Basis of preparation**

**Statement of compliance**

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

**Basis of measurement**

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

**Functional and presentation currency**

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

A significant proportion of the Group's assets, liabilities, income and expenses are denominated in US\$, AED and Qatari Riyal (QR), to which the AED and QR is currently pegged at approximately AED 3.67 equals to US\$ 1 and QR 3.46 equals to US\$ 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 (refer to Note 2 to the consolidated financial statements). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in the consolidated statement of profit or loss and other comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that the control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Basis of consolidation (continued)**

***Transactions and balances eliminated on consolidation***

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

***Accounting for business combinations***

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

Acquisition-related costs are expensed as incurred.

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

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

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

***Disposal of subsidiaries***

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

***Non-controlling interest***

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Revenue recognition**

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

***Marine charter***

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

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

***Project management***

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

**Finance income and expenses**

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Foreign currency**

***Foreign currency transactions***

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

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

***Foreign operations***

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

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

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

**Income tax**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

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

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

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Earnings per share**

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

**Property, plant and equipment**

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

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

|                                                                                      | Useful life in years |
|--------------------------------------------------------------------------------------|----------------------|
| Buildings                                                                            | 5 to 25              |
| Plant, machinery, furniture, fixtures and office equipment                           | 3 to 15              |
| Marine vessels acquired (including boats)                                            | 15 to 30             |
| Expenditure on marine vessel dry docking (included as a component of marine vessels) | 2 to 3               |
| Motor vehicles                                                                       | 3                    |

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Property, plant and equipment (continued)**

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

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

***Capital work in progress***

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

***Dry docking costs***

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

***Vessel refurbishment costs***

***Owned assets***

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

**Intangible assets**

***Goodwill***

Goodwill that arises upon acquisition of subsidiaries is presented within intangible assets. Goodwill represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Intangible assets (continued)**

*Goodwill (continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or groups of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss in respect of goodwill is not reversed. Where goodwill forms part of a cash-generating unit (or groups of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

*Other intangible assets*

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

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

**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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Financial instruments (continued)**

***Non-derivative financial assets (continued)***

***Recognition and measurement***

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

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

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

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

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

***Non-derivative financial liabilities***

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

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

***Offsetting***

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

***Other non-trading derivatives***

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Impairment**

***Financial assets***

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

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

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

***Non-financial assets***

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Inventories**

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

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

**Trade and other receivables**

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

**Cash and cash equivalents**

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

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

**Share capital**

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

**Trade and other payables**

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

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

**Non-current assets classified as held-for-sale**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. 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 profit or loss and other comprehensive income over the period of the borrowings on an effective interest basis.

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

**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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**5. Significant accounting policies (continued)**

**Leases**

***Group as a lessee***

***Leased assets***

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in the Group's consolidated 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 profit or loss and other comprehensive income.

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

***Group as a lessor***

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

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

**Dividends distribution**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**6. Critical accounting judgments 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 judgment on a number of factors that indicate that, in substance the risks and rewards of owning these vessels remain with the Group, which include:

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**6. Critical accounting judgments and key sources of estimation uncertainty (continued)**

**Key sources of estimation uncertainty**

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

***Impairment of goodwill***

The Group determines on an annual basis whether goodwill is impaired or not. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was US\$18,383 thousand (2016: US\$26,174 thousand). Details of the impairment assessment are set out in Note 14.

***Impairment of vessels***

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 *Impairment of assets*. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2017 was US\$977,788 thousand (2016: US\$1,052,813 thousand).

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

***Impairment of accounts receivable***

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**6. Critical accounting judgments and key sources of estimation uncertainty (continued)**

**Key sources of estimation uncertainty (continued)**

***Impairment of inventories***

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices, consumption trend and usage.

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

***Useful lives of property, plant and equipment***

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

***Provision for current tax and deferred tax***

The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

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

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

7. Presentation of adjusted non-GAAP results

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

|                                                         | Year ended 31 December 2017 |                 |                  | Year ended 31 December 2016 |                 |                  |
|---------------------------------------------------------|-----------------------------|-----------------|------------------|-----------------------------|-----------------|------------------|
|                                                         | Adjusted non-GAAP results   | Adjusting items | Statutory total  | Adjusted non-GAAP results   | Adjusting items | Statutory total  |
|                                                         | US\$'000                    | US\$'000        | US\$'000         | US\$'000                    | US\$'000        | US\$'000         |
| Revenue                                                 | 243,696                     | -               | 243,696          | 282,087                     | -               | 282,087          |
| Cost of revenue                                         | (168,793)                   | -               | (168,793)        | (178,303)                   | -               | (178,303)        |
| <b>Gross profit</b>                                     | <b>74,903</b>               | <b>-</b>        | <b>74,903</b>    | <b>103,784</b>              | <b>-</b>        | <b>103,784</b>   |
| Administrative expenses                                 | (28,395)                    | -               | (28,395)         | (33,605)                    | -               | (33,605)         |
| Other income                                            | 1,352                       | -               | 1,352            | 453                         | -               | 453              |
| <b>Profit before finance cost and impairment losses</b> | <b>47,860</b>               | <b>-</b>        | <b>47,860</b>    | <b>70,632</b>               | <b>-</b>        | <b>70,632</b>    |
| Impairment losses*                                      | -                           | (72,991)        | (72,991)         | -                           | (99,600)        | (99,600)         |
| Finance costs – net                                     | (59,336)                    | -               | (59,336)         | (59,576)                    | -               | (59,576)         |
| Bond redemption cost**                                  | -                           | (19,114)        | (19,114)         | -                           | -               | -                |
| <b>(Loss)/income before income tax</b>                  | <b>(11,476)</b>             | <b>(92,105)</b> | <b>(103,581)</b> | <b>11,056</b>               | <b>(99,600)</b> | <b>(88,544)</b>  |
| Income tax expense                                      | (12,656)                    | -               | (12,656)         | (13,534)                    | -               | (13,534)         |
| <b>Loss for the year</b>                                | <b>(24,132)</b>             | <b>(92,105)</b> | <b>(116,237)</b> | <b>(2,478)</b>              | <b>(99,600)</b> | <b>(102,078)</b> |
| Add: Other comprehensive income                         | -                           | -               | -                | -                           | -               | -                |
| <b>Total comprehensive loss for the year</b>            | <b>(24,132)</b>             | <b>(92,105)</b> | <b>(116,237)</b> | <b>(2,478)</b>              | <b>(99,600)</b> | <b>(102,078)</b> |

## 7. Presentation of adjusted non-GAAP results (continued)

|                                                           | Year ended 31 December 2017               |                                | Year ended 31 December 2016    |                                           |                                |                                |
|-----------------------------------------------------------|-------------------------------------------|--------------------------------|--------------------------------|-------------------------------------------|--------------------------------|--------------------------------|
|                                                           | Adjusted non-<br>GAAP results<br>US\$'000 | Adjusting<br>items<br>US\$'000 | Statutory<br>total<br>US\$'000 | Adjusted non-<br>GAAP results<br>US\$'000 | Adjusting<br>items<br>US\$'000 | Statutory<br>total<br>US\$'000 |
| <i>Total comprehensive (loss)/income attributable to:</i> |                                           |                                |                                |                                           |                                |                                |
| Owners of the Company                                     | (46,544)                                  | (86,105)                       | (132,649)                      | (26,314)                                  | (99,600)                       | (125,914)                      |
| Non-controlling interests                                 | 22,412                                    | (6,000)                        | 16,412                         | 23,836                                    | -                              | 23,836                         |
|                                                           |                                           |                                |                                |                                           |                                |                                |
| <b>Total comprehensive loss for the year</b>              | <b>(24,132)</b>                           | <b>(92,105)</b>                | <b>(116,237)</b>               | <b>(2,478)</b>                            | <b>(99,600)</b>                | <b>(102,078)</b>               |
|                                                           |                                           |                                |                                |                                           |                                |                                |
| <b>Basic and diluted loss per share (US\$)</b>            | <b>(0.17)</b>                             | <b>(0.30)</b>                  | <b>(0.47)</b>                  | <b>(0.09)</b>                             | <b>(0.35)</b>                  | <b>(0.44)</b>                  |

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**8. Revenue**

|                                                | 2017<br>US\$'000 | 2016<br>US\$'000 |
|------------------------------------------------|------------------|------------------|
| Charter and other revenues from marine vessels | 230,922          | 278,274          |
| Project management (i)                         | 11,695           | -                |
| Income from mobilization of marine vessels     | 1,079            | 3,813            |
|                                                | <u>243,696</u>   | <u>282,087</u>   |

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

**9. Profit before finance costs and impairment losses**

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

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

**10. Impairment losses**

|                                             | 2017<br>US\$'000 | 2016<br>US\$'000 |
|---------------------------------------------|------------------|------------------|
| Impairment loss on marine vessels (Note 14) | 65,200           | 99,600           |
| Impairment loss on goodwill (Note 15)       | 7,791            | -                |
|                                             | <u>72,991</u>    | <u>99,600</u>    |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**11. Finance costs - net**

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

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

**12. Income tax**

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**12. Income tax (continued)**

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

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

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

**13. Earnings per share**

*Basic earnings per share*

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

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

Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)

14. Property, plant and equipment

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**14. Property, plant and equipment (continued)**

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

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

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

The Group estimated the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of all vessels has been determined based on value in use calculations where the fair value less cost to sell was lower than the carrying amount. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 5 years based on the expected utilisation rates of the individual vessels using a discount rate of 12.00% (2016: 11.80%). Cash flows beyond five years are estimated using a nil growth rate. The recoverable amount of the impaired assets, which represent their value in use, is USD 237.3 million

The depreciation charge has been allocated as follows:

|                                  | 2017<br>US\$'000 | 2016<br>US\$'000 |
|----------------------------------|------------------|------------------|
| Cost of revenue                  | 68,522           | 73,373           |
| Administrative expenses (Note 9) | 792              | 949              |
|                                  | <u>69,314</u>    | <u>74,322</u>    |

**15. Intangible assets and goodwill**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**15. Intangible assets and goodwill (continued)**

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

Goodwill comprises the following:

- 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:

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

**Key assumptions used in discounted cash flow projection calculations**

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

***Discount rate***

The discount rate used in 2017 is 12.00% (2016: 11.80%).

***Terminal value calculations***

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

***Growth rate***

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

***Sensitivity to changes in assumptions***

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**16. Accounts receivable and prepayments**

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

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

|                              | 2017<br>US\$'000    | 2016<br>US\$'000    |
|------------------------------|---------------------|---------------------|
| At 1 January                 | 4,538               | 8,627               |
| Charge for the year (Note 9) | 215                 | 3,472               |
| Amounts written off          | -                   | (7,561)             |
|                              | <u>4,753</u>        | <u>4,538</u>        |
| At 31 December               | <u><u>4,753</u></u> | <u><u>4,538</u></u> |

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**16. Accounts receivable and prepayments (continued)**

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

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

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

**17. Related party transactions**

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

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

|                                            | 2017<br>Interest<br>US\$'000 | 2016<br>Interest<br>US\$'000 |
|--------------------------------------------|------------------------------|------------------------------|
| Related parties – Ultimate Holding Company | 6,769                        | 7,896                        |

**Compensation of key management personnel**

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**17. Related party transactions (continued)**

|                                                      | 2017<br>US\$'000 | 2016<br>US\$'000 |
|------------------------------------------------------|------------------|------------------|
| <i><b>Due from related parties</b></i>               |                  |                  |
| Topaz Energy & Marine Limited – Holding Company      | 16,740           | 16,740           |
| Directors                                            | 2                | 6                |
| Tawoos – subsidiary of the Ultimate Holding Company  | -                | 1                |
|                                                      | <u>16,742</u>    | <u>16,747</u>    |
| <i><b>Due to a related party</b></i>                 |                  |                  |
| Renaissance Services SAOG – Ultimate Holding Company | 61               | 187              |
| Tawoos – subsidiary of the Ultimate Holding Company  | 5                | -                |
|                                                      | <u>66</u>        | <u>187</u>       |

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

**18. Deferred tax assets**

|                                    | 2017<br>US\$'000 | 2016<br>US\$'000 |
|------------------------------------|------------------|------------------|
| At 1 January                       | 7,212            | 1,464            |
| Credit to profit or loss (Note 12) | 2,308            | 5,748            |
|                                    | <u>9,520</u>     | <u>7,212</u>     |
| At 31 December                     | <u>9,520</u>     | <u>7,212</u>     |

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

|                          | 2017<br>US\$'000 | 2016<br>US\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets      | 9,807            | 8,417            |
| Deferred tax liabilities | (287)            | (1,205)          |
|                          | <u>9,520</u>     | <u>7,212</u>     |
| At 31 December           | <u>9,520</u>     | <u>7,212</u>     |

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**19. Inventories**

|                                | 2017<br>US\$'000 | 2016<br>US\$'000 |
|--------------------------------|------------------|------------------|
| Stores, spares and consumables | 9,987            | 5,689            |

**20. Cash and cash equivalents**

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

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

**21. Assets classified as held-for-sale**

|                                 | 2017<br>US\$'000 | 2016<br>US\$'000 |
|---------------------------------|------------------|------------------|
| Non-current asset held-for-sale | 12,879           | -                |

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

**22. Share capital**

|                                                                           | 2017<br>US\$'000 | 2016<br>US\$'000 |
|---------------------------------------------------------------------------|------------------|------------------|
| <i>Authorised</i>                                                         |                  |                  |
| 400,000,000 shares of US\$1 each (2016: 400,000,000 shares of US\$1 each) | 400,000          | 400,000          |
| <i>Issued and fully paid</i>                                              |                  |                  |
| 284,719,616 shares of US\$1 each (2016: 284,719,616 shares of US\$1 each) | 284,720          | 284,720          |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**22. Share capital (continued)**

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

On 19 December 2017, the Holding Company 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%.

**23. Term loans**

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

(i) In 2015, the Group entered into an agreement with a syndicate of banks for a financing facility of US\$550 million carrying interest at the rate of three-month LIBOR plus 2.75% which is repayable in quarterly instalments until April 2022. The initial drawdown of US\$350 million was made in 2015 and a further drawdown of US\$25 million was made during the year ended 31 December 2017.

(ii) On 26 July 2017 the Group issued US\$375 million aggregate principal amount of 9.125% senior notes (the "Senior Notes") that will mature on 26 July 2022. The Senior Notes pay interest semi-annually in arrears on 26 January and 26 July of each year, commencing 26 January 2018. Interest has been accrued from the issue date. On and after 26 July 2019, the Group may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.5625% for the twelve month period beginning 26 July 2019, 102.2813% for the twelve month period beginning 26 July 2020 and 100% beginning 26 July 2021, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. No redemption has been made in the year ended 31st December 2017. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Topaz Energy and Marine Limited, incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Official List of The International Stock Exchange Authority (formerly The Channel Islands Securities Exchange Authority Limited).

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**23. Term loans (continued)**

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

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

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

The term loan and Senior Notes are repayable as follows:

|                               | 2017<br>US\$'000 | 2016<br>US\$'000 |
|-------------------------------|------------------|------------------|
| Due within one year           | 30,000           | 30,000           |
| Due between two to five years | 632,634          | 489,999          |
| Due after five years          | -                | 124,997          |
|                               | <u>662,634</u>   | <u>644,996</u>   |

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

|                                      | 1 January<br>2017<br>US\$'000 | Cash flows<br>US\$'000 | Non-cash<br>changes<br>US\$'000 | 31 December<br>2017<br>US\$'000 |
|--------------------------------------|-------------------------------|------------------------|---------------------------------|---------------------------------|
| Term loan, at LIBOR plus 2.75% p.a.  |                               |                        |                                 |                                 |
| Tranche A (US\$350 million facility) | 300,093                       | (30,000)               | 1,371                           | 271,464                         |
| Tranche B (US\$100 million facility) | -                             | 25,000                 | (239)                           | 24,761                          |
| US\$375M, 9.125% Senior Notes        | -                             | 365,900                | 509                             | 366,409                         |
| US\$350M, 8.625% Senior Notes        | 344,903                       | (350,000)              | 5,097                           | -                               |
|                                      | <u>644,996</u>                | <u>10,900</u>          | <u>6,738</u>                    | <u>662,634</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. At the reporting date, the Group is in compliance with all financial covenants.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**24. Loans due to the Ultimate Holding Company**

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

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

The loan is repayable as follows:

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

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

|           | <b>1 January</b><br><b>2017</b><br><b>US\$'000</b> | <b>Cash flows</b><br><b>US\$'000</b> | <b>Non-cash</b><br><b>changes</b><br><b>US\$'000</b> | <b>31 December</b><br><b>2017</b><br><b>US\$'000</b> |
|-----------|----------------------------------------------------|--------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Term loan | 80,600                                             | (2,402)                              | 402                                                  | <b>78,600</b>                                        |

**25. Employees' end-of-service benefits**

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

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**26. Accounts payable and accruals**

|                         | 2017<br>US\$'000 | 2016<br>US\$'000 |
|-------------------------|------------------|------------------|
| <i>Current</i>          |                  |                  |
| Trade accounts payables | 32,103           | 41,055           |
| Accrued expenses        | 42,070           | 27,297           |
| Other payables          | 21,902           | 12,374           |
|                         | <u>96,075</u>    | <u>80,726</u>    |

**27. Advances from customers**

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

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

**28. Dividends**

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**29. Summarised financial information on subsidiaries with material non-controlling interests**

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The combined financial information of the subsidiaries that 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*

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

*Summarised statement of profit or loss and other comprehensive income*

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**29. Summarised financial information on subsidiaries with material non-controlling interests  
(continued)**

*Summarised statement of cash flows*

|                                                  | <b>Caspian Region<br/>Subsidiaries</b> |                 |
|--------------------------------------------------|----------------------------------------|-----------------|
|                                                  | <b>2017</b>                            | <b>2016</b>     |
|                                                  | <b>US\$'000</b>                        | <b>US\$'000</b> |
| <b>Cash flows from operating activities</b>      |                                        |                 |
| Cash generated from operations                   | 52,813                                 | 76,510          |
| Income taxes paid                                | -                                      | (232)           |
| Interest paid                                    | (27,851)                               | (21,297)        |
| Net cash generated from operating activities     | 24,962                                 | 54,981          |
| Net cash used in investing activities            | (3,356)                                | (2)             |
| Net cash used in financing activities            | (21,606)                               | (57,675)        |
| <b>Net decrease in cash and cash equivalents</b> | -                                      | (2,696)         |
| Cash and cash equivalents at 1 January           | 1                                      | 2,697           |
| <b>Cash and cash equivalents at 31 December</b>  | <b>1</b>                               | <b>1</b>        |

**30. Contingencies**

*Contingent liabilities*

|                      | <b>2017</b>     | <b>2016</b>     |
|----------------------|-----------------|-----------------|
|                      | <b>US\$'000</b> | <b>US\$'000</b> |
| Letters of guarantee | 29,544          | 23,150          |

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

**31. Commitments**

|                                        | <b>2017</b>     | <b>2016</b>     |
|----------------------------------------|-----------------|-----------------|
|                                        | <b>US\$'000</b> | <b>US\$'000</b> |
| <i>Capital expenditure commitment:</i> |                 |                 |
| Purchase of marine vessels             | 175,154         | 346,841         |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**32. Non-cancellable leases**

***Operating leases - receivable***

The Group leases its marine vessels under operating leases. The leases typically run for a period between 3 months to ten years and are renewable for similar periods after the expiry date. The lease rental is usually renewed to reflect market rentals. Future minimum lease rentals receivable for the initial lease period under these operating leases as of 31 December are as follows:

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

**33. Operating segments**

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

***Geographic segments***

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

- Caspian
- MENA
- Africa

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**33. Operating segments (continued)**

The following table presents segmental information about these businesses:

***Operating segment - 2017***

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

***Operating segment - 2016***

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**34. Financial instruments by category**

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

**35. Fair values of financial instruments**

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management**

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

- Credit risk
- Liquidity risk
- Market risk.

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

***Risk management framework***

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

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

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

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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management (continued)**

*Credit risk*

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

*Trade accounts and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Approximately 47% (2016: 42%) of the Group's revenue is attributable to sales transactions with a single customer. At 31 December 2017, the Group's ten largest customers account for 79% (2016: 83%) of the outstanding trade accounts receivable. Geographically the credit risk is significantly concentrated in the MENA region and the Caspian region.

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

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

*Balances with banks*

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

*Guarantees*

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

*Exposure to credit risk*

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management (continued)**

***Liquidity risk***

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

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of 31 December 2017, the Group had undrawn facilities of US\$75 million (2016: US\$100 million).

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

|                                          | Carrying<br>amount<br>US\$'000 | Contractual cash flows |                                  |                                    |                                  |
|------------------------------------------|--------------------------------|------------------------|----------------------------------|------------------------------------|----------------------------------|
|                                          |                                | Total<br>US\$'000      | Due within<br>1 year<br>US\$'000 | Due in 1<br>to 5 years<br>US\$'000 | Due after<br>5 years<br>US\$'000 |
| At 31 December 2017                      |                                |                        |                                  |                                    |                                  |
| Non-derivative financial liabilities     |                                |                        |                                  |                                    |                                  |
| Accounts payable and accruals            | 96,075                         | 96,075                 | 96,075                           | -                                  | -                                |
| Term loans                               | 662,634                        | 872,820                | 77,225                           | 795,596                            | -                                |
| Loan due to the Ultimate Holding Company | 78,600                         | 97,312                 | 6,682                            | 78,215                             | 12,415                           |
| Due to related parties                   | 66                             | 66                     | 66                               | -                                  | -                                |
| Total                                    | 837,375                        | 1,066,273              | 180,048                          | 873,811                            | 12,415                           |
| At 31 December 2016                      |                                |                        |                                  |                                    |                                  |
| Non-derivative financial liabilities     |                                |                        |                                  |                                    |                                  |
| Accounts payable and accruals            | 80,726                         | 80,726                 | 80,726                           | -                                  | -                                |
| Term loans                               | 644,996                        | 761,753                | 72,100                           | 563,251                            | 126,402                          |
| Loan due to Holding Company              | 80,600                         | 104,611                | 13,794                           | 67,685                             | 23,132                           |
| Due to related parties                   | 187                            | 187                    | 187                              | -                                  | -                                |
| Total                                    | 806,509                        | 947,277                | 166,807                          | 630,936                            | 149,534                          |

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group 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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management (continued)**

***Interest rate risk***

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

The Group's policy is to manage its interest rate exposure through using a mix of fixed and variable interest rate debts. The Group's policy is to maintain at least 40% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are used to hedge underlying debt obligations. At 31 December 2017, approximately 60% of the Group's borrowings are at a fixed rate of interest (2016: 59%). Since this meets the Group's policy of maintaining at least 40% of its borrowings at fixed rates, no interest rate swaps were transacted in 2016 and 2017.

***Profile***

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

|                                         | <b>Carrying amount</b> |                 |
|-----------------------------------------|------------------------|-----------------|
|                                         | <b>2017</b>            | <b>2016</b>     |
|                                         | <b>US\$'000</b>        | <b>US\$'000</b> |
| <b><i>Fixed rate instruments</i></b>    |                        |                 |
| Financial assets                        | -                      | -               |
| Financial liabilities                   | <u>445,009</u>         | <u>425,503</u>  |
| <b><i>Variable rate instruments</i></b> |                        |                 |
| Financial liabilities                   | <u>296,225</u>         | <u>300,093</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 profit or loss and other comprehensive income, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect in the consolidated statement of profit or loss and other comprehensive income.

***Cash flow sensitivity for variable rate instruments***

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

|                                | <b>Profit or loss</b>      |                            |
|--------------------------------|----------------------------|----------------------------|
|                                | <b>100 bp<br/>increase</b> | <b>100 bp<br/>Decrease</b> |
|                                | <b>US\$'000</b>            | <b>US\$'000</b>            |
| <b><i>31 December 2017</i></b> |                            |                            |
| Variable rate instruments      | <u>2,962</u>               | <u>(2,962)</u>             |
| <b><i>31 December 2016</i></b> |                            |                            |
| Variable rate instruments      | <u>3,001</u>               | <u>(3,001)</u>             |

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management (continued)**

***Currency risk***

The Group is exposed to currency risk on sales and purchases denominated in currencies other than AED which is the functional currency of the Group or currencies which are pegged to US\$.

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

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

The following significant exchange rates applied during the year:

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management (continued)**

***Currency risk (continued)***

*Sensitivity analysis*

A strengthening of the US\$, as indicated below, against the Euro, Azerbaijan New Manat, Kazakhstan Tenge, Russian Rouble, Great Britain Pound, Norwegian Kroner, Japanese Yen, Nigerian Naira and Singapore Dollars at 31 December would have increased/(decreased) the comprehensive losses by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

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

***Capital management***

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

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**36. Risk management (continued)**

***Capital management (continued)***

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

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

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

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

**37. Non-cash transactions**

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

|                                | 2017<br>US\$'000 | 2016<br>US\$'000 |
|--------------------------------|------------------|------------------|
| Increase in deferred tax asset | 2,308            | 5,748            |

**38. Approval of consolidated financial statements**

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