

SC 297846

Roosalka Shipping Limited

**Report and financial statements
for the year ended 31 December 2016**



Roosalka Shipping Limited

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Roosalka Shipping Limited

Officers and Professional Advisers

DIRECTORS

Rene Kofod-Olsen
Jay Daga
Robert Desai

SECRETARY

Addleshaw Goddard (Scotland) Secretarial Limited

REGISTERED OFFICE

Exchange Tower
19 Canning Street
Edinburgh, UK
EH3 8EH

SOLICITORS

Addleshaw Goddard (Scotland) Secretarial Limited
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

INDEPENDENT AUDITORS

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Roosalka Shipping Limited
(Registered No. SC297846)
Annual Report and Financial Statements - 2016

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2016.

Principal activities

The Company's principal activities continued to be management, lease and charter of maritime vessels together with related marine services.

Review of activities and future development

The Directors continue to seek appropriate trading opportunities to improve the results in the forthcoming year. This year the performance of the company was below expectations as the offshore support vessel (OSV) market struggled to recover. We continued to face headwinds in the sector and thus our profitability has been impacted significantly. The current year profit has been impacted due to a one-off impairment charge on one of our vessels.

We do expect the market to recover in 2017 and 2018, and hence continue to seek attractive business opportunities for our Company.

Results and dividends

The loss for the year after taxation was USD 1,422,950 (2015: profit of USD 81,280). No dividend was paid during the year (2015: Nil). The loss of USD 1,422,950 (2015: profit of USD 81,280) has been transferred from reserves.

The loss of the current year is mainly driven by the large one-off impairment charge of USD 1,600,000 taken on one of the vessels which reflects the current market conditions and is a result of excess supply in the market driving down utilization and rates.

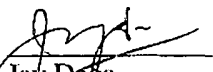
Principal risks and uncertainties

A summary of the Company's policies and objectives relating to financial risk management, including exposure to associated risks, is included in Note 17 to the financial statements.

Key performance indicators

The key performance indicators used by the Group are the value of revenue, earnings before income tax, depreciation and amortisation (EBITDA), EBITDA margin, return on assets and fleet utilisation. These KPIs are measured at the group level and not measured against each individual entity.

Approved by the Board of Directors
and signed on behalf of the Board


Jay Daga
Director
Date: 7-Dec-2017

Roosalka Shipping Limited
(Registered No. SC297846)
Annual Report and Financial Statements - 2016

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2016.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- Rene Kofod-Olsen
- Jay Daga
- Robert Desai

Financial risk management policies and objectives

The Company's principal financial assets are due from related parties. The Company's credit risk is primarily attributable to its amounts due from related parties. The amounts presented in the balance sheet are net of provisions for doubtful debts. The Company does not enter into any derivative financial instruments. The Company's financial liabilities comprise of amounts due to related parties. Operations are generally financed through intercompany with other Group companies having finance available.

Independent auditors

Deloitte LLP were appointed independent auditors for the year ended 31 December 2016 in accordance with an elective resolution made under section 487 of the Companies Act 2006 which continues in force.

Disclosure of information to auditors

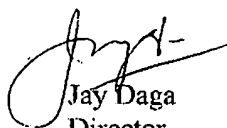
Each of the persons who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Directors' indemnity

As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors. No indemnity is provided for the Company's auditor.

Approved by the Board of Directors
and signed on behalf of the Board


Jay Daga
Director

Date: 7-Dec-2017

Roosalka Shipping Limited
(Registered No. SC297846)
Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROOSALKA SHIPPING LIMITED

We have audited the financial statements of Roosalka Shipping Limited for the year ended 31 December 2016, which comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, and statement of cash flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

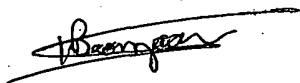
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROOSALKA SHIPPING LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Ivan Boonzaaier, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
7 December 2017

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2016**

	Notes	2016 USD	2015 USD
Revenue	6	1,493,550	1,460,000
Cost of sales	7	(1,411,043)	(1,225,771)
Gross profit		82,507	234,229
Impairment of marine vessel	9	(1,600,000)	-
General and administrative expenses		(100,455)	(53,254)
Finance income		14	10
(Loss)/profit before income tax		(1,617,934)	180,985
Income tax credit/(expense)	8	194,984	(99,705)
(Loss)/profit for the year, representing total comprehensive (loss)/profit for the year		(1,422,950)	81,280

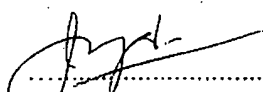
All activities arise in respect of continuing activities.


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

**Statement of financial position
as at 31 December 2016**

	Notes	2016 USD	2015 USD
ASSETS			
Non-current assets			
Property, plant and equipment	9	24,322,094	12,079,974
Deferred tax assets	10	1,375,706	1,034,722
Total non-current assets		25,697,800	13,114,696
Current asset			
Due from related parties	11	44,743,071	24,291,530
Total Assets		70,440,871	37,406,226
EQUITY AND LIABILITIES			
Equity			
Share capital	12	2	2
Retained earnings	13	6,433,883	7,856,833
Total equity		6,433,885	7,856,835
Current liability			
Due to related parties	11	64,006,986	29,549,391
Total liabilities		64,006,986	29,549,391
Total Equity and Liabilities		70,440,871	37,406,226

The financial statements of Roosalka Shipping Limited (registered number: SC297846) were approved by the board of directors on 7 December 2017 and were signed on its behalf by:


Jay Daga
Director


Robert Desai
Director

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

**Statement of cash flows
for the year ended 31 December 2016**

	2016 USD	2015 USD
Cash flows from operating activities		
(Loss)/profit for the year	(1,422,950)	81,280
Adjustments for:		
Depreciation of property, plant and equipment	1,352,747	1,225,771
Impairment charge	1,600,000	-
Finance income	(14)	(10)
Income tax (credit)/expenses	(194,984)	99,705
Operating loss before changes in operating assets and liabilities	1,334,799	1,406,746
Increase in due from related parties	(20,451,541)	(1,460,000)
Increase in due to related parties	19,262,728	199,244
Cash generated from operations	145,986	145,990
Finance income received	14	10
Income tax paid	(146,000)	(146,000)
Net cash generated from operating activities	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-
<u>Non-cash transactions</u>		
Property, plant and equipment transferred from a related party	(15,194,867)	-

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

**Statement of changes in equity
for the year ended 31 December 2016**

	Share capital USD	Retained earnings USD	Total USD
Balance at 1 January 2015	2	7,775,553	7,775,555
Total comprehensive income for the year	-	81,280	81,280
Balance at 31 December 2015	2	7,856,833	7,856,835
Total comprehensive loss for the year	-	(1,422,950)	(1,422,950)
Balance at 31 December 2016	2	6,433,883	6,433,885

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

**Notes to the financial statements
for the year ended 31 December 2016**

1. Establishment and operations

Roosalka Shipping Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in Scotland. The address of the registered office of the Company is Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH.

The Company is a wholly owned subsidiary of BUE Marine Limited, a Company registered in Scotland. Group financial statements are prepared for Topaz Energy and Marine Limited, which is the smallest group for which consolidated accounts are prepared of which the company is a member. Copies of that company's accounts can be obtained from Level 58, Almas Tower, Jumeirah Lakes Towers, Dubai, UAE.

The Company's ultimate parent undertaking is Renaissance Services SAOG, a Company registered in the Sultanate of Oman. Group consolidated financial statements are prepared for Renaissance Services SAOG, which is the largest group for which the Company is also a member, and are available from Renaissance Services SAOG, P.O. Box 1676, Muttrah, Postal Code 114, Sultanate of Oman.

The Company's principal activities are the management, lease and charter of maritime vessels together with related marine services.

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

2.1 New and revised IFRS applied with no material effect on the financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the Company recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an Company shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

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

New and revised IFRSs

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

IFRS 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 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

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

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

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

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

2.2 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*

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 Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

Amendments to IFRS 15 *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* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

1 January 2019

Amendments to IFRS 10 *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 an investor to its associate or joint venture.

Effective date deferred indefinitely

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

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

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

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

Management anticipates that IFRS 9 and IFRS 15 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019. The application of IFRS 9 and IFRS 15 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of the Company's financial assets and financial liabilities, revenue from contracts with customers and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

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

3. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union.

Basis of measurement

The financial statements are prepared on a going concern basis under the historical cost convention, unless otherwise stated.

Functional currency and presentation currency

The financial statements are presented in United States Dollars (USD) which is the Company's functional and presentation currency.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. For the years ended 31 December 2016, the Company has incurred a net loss of USD 1,422,950 and as at 31 December 2016, current liabilities exceed current assets by USD 19,263,915. The continuation of the Company's operation is dependent upon future profitable operations and the continued financial support of the shareholder.

These conditions raise doubts whether the Company will be able to continue as a going concern. However, Company's management has confirmed that a plan has already been put in place to enable the Company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due. The Parent Company has resolved to provide such financial support as may be required to enable the Company to meet its debts and obligations as they fall due. Accordingly, these financial statements are prepared on a going concern basis.

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

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

4. Significant accounting policies

Revenue recognition

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

Marine charter

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

Lease 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.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised in the 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. All borrowing costs are recognised in the 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 property, plant and equipment are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Financial instruments

Non-derivative financial assets

The Company classifies its financial assets, which comprises amounts due from related parties, as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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.

Recognition and measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

4. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial liabilities

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

The Company's non-derivative financial liabilities comprise of balances due to related parties and other payables and accruals. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

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.

Foreign currency transactions

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except items that are recognised directly in equity or in other comprehensive income.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

4. Significant accounting policies (continued)

Income tax (continued)

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. 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 and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses 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.

Property, plant and equipment

Items of property, plant and equipment is 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. 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.

Capital work in progress is not depreciated. Assets in the course of construction are depreciated from the date that the related assets are ready for commercial use. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation, less any estimated residual value, of each asset, excluding vessels under construction, over its expected useful life as follows:

Marine vessels	Over 20 years
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The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

4. Significant accounting policies (continued)

Property, plant and equipment (continued)

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 increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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

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

Leased assets

Costs incurred in advance of charter to refurbish vessels under long term charter agreements are capitalised within property, plant and equipment in line with the use of the refurbished vessel. Where there is an obligation to incur future restoration costs under charter agreements which would not meet the criteria for capitalisation within property, plant and equipment, the costs are accrued over the period to the next vessel re-fit to match the use of the vessel and the period over which the economic benefits of its use are realised.

Owned assets

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

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss 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 Company on terms that the Company would not consider otherwise and indications that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables both at specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

4. Significant accounting policies (continued)

Impairment (continued)

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 profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial 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 recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use 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. For the purpose of impairment testing, assets 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 groups of assets (the "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.

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.

Leases

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as lease rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5. Critical accounting judgments and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer to Note 9 for critical judgments surrounding the impairment of marine vessels. There are no further estimates or judgments that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

6. Revenue

	2016 USD	2015 USD
Lease rent from charter of marine vessels (Note 11)	<u>1,493,550</u>	<u>1,460,000</u>

7. Cost of sales

	2016 USD	2015 USD
Depreciation of marine vessels (Note 9)	1,352,747	1,225,771
Insurance and other costs	<u>58,296</u>	<u>-</u>
	<u>1,411,043</u>	<u>1,225,771</u>

During the year, the auditors' remuneration for audit services was borne by Topaz Energy and Marine Limited, a related party.

Staff Costs

The Company has no employees other than three directors (2015: three directors), the directors are not remunerated for their service to the Company.

8. Income tax (credit)/expense

	2016 USD	2015 USD
Current taxation		
Foreign tax	<u>146,000</u>	<u>146,000</u>
Deferred tax		
Current year	(398,469)	(145,179)
Changes in statutory tax rate	<u>57,485</u>	<u>98,884</u>
Total deferred tax	<u>(340,984)</u>	<u>(46,295)</u>
Tax (credit)/expense for the year	<u>(194,984)</u>	<u>99,705</u>

UK corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

8. Income tax (credit)/expense (continued)

The relationship between the tax expense and the accounting profit can be explained as follows:

	2016 USD	2015 USD
(Loss)/profit before income tax	(1,617,934)	180,985
Tax at the UK corporation tax rate	(323,587)	36,649
Tax effect of expenses that are not deductible in determining taxable profit	800	406
Group relief claimed not paid for	-	(54,379)
Difference in closing DT tax rate	70,318	18,145
Changes in statutory tax rate	57,485	98,884
Tax (benefit)/expense and effective tax rate for the year	(194,984)	99,705

The UK corporation-tax rate will reduce from 20% to 18% over a period of 4 years from 2016. The next reduction in the UK corporation tax rate from 20% to 19% is effective from 1 April 2017, followed by a reduction from 19% to 17% effective 1 April 2020. As the rate change from 19% to 17% had been substantively enacted before the balance sheet date, deferred tax is recognized at a rate of 17%.

9. Property, plant and equipment

	Marine Vessels USD
Cost	
At 31 December 2014 and 2015	32,539,809
Additions	15,194,867
At 31 December 2016	47,734,676
Accumulated depreciation	
At 1 January 2015	19,234,064
Depreciation charge for the year	1,225,771
At 31 December 2015	20,459,835
Depreciation charge for the year	1,352,747
Impairment charge for the year	1,600,000
At 31 December 2016	23,412,582
Net carrying amount	
At 31 December 2016	24,322,094
At 31 December 2015	12,079,974

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

9. Property, plant and equipment (continued)

The Company 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 OSV market, which is continuing to drive down charter day rates and utilization rates, the Company has performed an impairment assessment for its marine vessels, which led to the recognition of an impairment loss of USD 1.6 million against one of its vessels. The Company estimated the fair value less costs of disposal of the vessel, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is higher than the value in use, and hence the recoverable amount of the vessel has been determined on the basis of their fair value less costs of disposal, which amounted to USD 13.0 million as at 31 December 2016. This is a level 3 fair value measurement. The discount rate used in measuring value in use was 11.80% (2015: 11.70%).

10. Deferred tax assets

	2016 USD	2015 USD
As at 1 January	1,034,722	988,427
Credit/(debit) to profit or loss	398,469	(98,884)
Changes in statutory tax rate	(57,485)	145,179
As at 31 December	<u>1,375,706</u>	<u>1,034,722</u>

Deferred tax assets comprises short term temporary differences due to depreciation of marine vessels.

11. Related party transactions

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

a) Transactions with related parties

	2016 USD	2015 USD
Other related parties – revenue (Note 6)	<u>1,493,550</u>	<u>1,460,000</u>
Other related parties - fees charged for management services	<u>100,000</u>	<u>40,000</u>

During the years ended 31 December 2016 and 2015, all costs of key management were borne by a related party and not recharged to the Company.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

11. Related party transactions (continued)

b) Due from related parties

	2016 USD	2015 USD
<i>Immediate parent company:</i>		
BUE Marine Limited, Scotland	18,957,991	-
<i>Company under common ownership and management control</i>		
BUE Aktau LLP, Kazakhstan	25,785,080	24,291,530
	<u>44,743,071</u>	<u>24,291,530</u>

Outstanding balances at the year-end are interest-free, arise in the normal course of business, and have no fixed repayment terms. As at 31 December 2016, amounts due from related parties are not impaired. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over inter-company receivables and the balances are therefore, unsecured.

c) Due to related parties

	2016 USD	2015 USD
<i>Immediate parent company:</i>		
BUE Marine Limited, Scotland	-	7,405,028
<i>Companies under common ownership and management control</i>		
BUE Kazakhstan Limited, Scotland	32,739,790	6,072,034
Nico World II Limited, Vanuatu	15,194,867	-
BUE Caspian Limited, Scotland	13,371,157	13,371,157
BUE Shipping Limited, Scotland	1,843,335	1,843,335
BUE Bautino LLP, Kazakhstan	535,623	535,623
BUE Cygnet Limited, Scotland	322,214	322,214
	<u>64,006,986</u>	<u>29,549,391</u>

Due to related parties are non-interest bearing, unsecured and repayable on demand.

12. Share capital

	2016 USD	2015 USD
<i>Authorised</i>		
1,000 (2015: 1,000) Ordinary shares of £1 (2015: £1) each	<u>1,750</u>	<u>1,750</u>
<i>Allotted, called up and fully paid</i>		
1 (2015: 1) Ordinary share of £1 (2015: £1)	<u>2</u>	<u>2</u>

13. Retained earnings

The reserve comprises accumulated profits and losses of the company less any dividends paid.

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

14. Contingent liabilities

As at 31 December 2016, the Company's assets and undertaking including bareboat charter's rights, title and interest, present and future in the bareboat charterer's assigned property are charged as security for bank facilities obtained by related parties.

15. Non-cancellable leases

Operating leases - receivable

The Company leases its marine vessels under operating lease arrangements. The leases typically run for a period of one to ten years and are renewable for a similar period after the expiry date. The lease rental is usually reviewed to reflect market rentals. Future minimum lease rentals receivable under non-cancellable operating leases are as follows as of 31 December:

	2016 USD	2015 USD
Within one year	1,460,000	3,285,000
Between 2 to 5 years	1,136,000	5,840,000
	<u>2,596,000</u>	<u>9,125,000</u>

16. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 4 to the financial statements.

(b) Categories of financial instruments

	2016 USD	2015 USD
<i>Financial assets</i>		
Loans and receivables	<u>44,743,071</u>	<u>24,291,530</u>
<i>Financial liabilities</i>		
At amortised cost	<u>64,006,986</u>	<u>29,549,391</u>

(c) Fair value of financial instruments

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

17. Risk management

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

- Credit risk, and
- Liquidity risk.

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

**Notes to the financial statements
for the year ended 31 December 2016 (continued)**

17. Risk management (continued)

Risk management framework

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's management are responsible for developing and monitoring the Company's risk management policies. The Company'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 Company's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises from the Company's due from related parties.

Liquidity risk

All financial assets and liabilities are interest free and maturing within one year.

18. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital and retained earnings and is measured at USD 6,433,885 as at 31 December 2016 (2015: USD 7,856,835).

19. Ultimate parent company

The immediate parent company is BUE Marine Limited, a company incorporated in Scotland. Group financial statements are prepared for Topaz Energy and Marine Limited, which is the smallest group for which consolidated accounts are prepared of which the company is a member. Copies of that company's accounts can be obtained from Level 58, Almas Tower, Jumeirah Lakes Towers, Dubai, UAE. The largest group for which consolidated accounts are prepared are Renaissance Services SOAG of which company is also a member, copies of that company's accounts can be obtained from 114, Muttrah, Sultanate of Oman.