GMS
OFFSHORE CONTRACTOR

GULF MARINE SERVICES PLC
Interim Report 2015

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Gulf Marine Services
Supporting the oil, gas and renewable energy industries

Highlights

- Solid first half for 2015. Revenue increased by 8% to US$ 98.2 million (11% increase on a constant currency* basis).
- Robust cash flows generated from operations, adjusted EBITDA up 2% to US$ 60.1 million (7% increase on a constant currency* basis).
- Adjusted net profit for the period of US$ 35.0 million (broadly flat on a constant currency* basis).
- Adjusted earnings per share in the period of 9.95 cents.
- Interim dividend of 0.41 pence (0.69 US cents) per share representing a payout ratio of 7% of adjusted net income (H1 2014: 6%).
- Healthy secured backlog of US$ 664.0 million as at 1 August 2015 comprising US$ 341.9 million firm and US$ 322.1 million extension options.
- Continued high SESV fleet utilisation for the period of 98%, with charter day rates in line with guidance.
- GMS' major fleet expansion programme is now more than half completed, and continues to be delivered on time and to budget. The three new vessels most recently commissioned have been immediately deployed to new contracts. Encouraging signs for a first charter for Mid-Size Class new build GMS Scirocco following delivery in Q3 2015.
- The Group's integrated build model accommodates bespoke modifications to suit clients' changing operational needs. H1 2015 was characterised by a significant number of these special projects (the likes of which are not expected in H2), with 10% of available days* in the period used on special projects, and while this impacted earnings in the first half of the year, this was offset with the award of some long-term contracts.
- The Group is well-placed to continue progress with robust operating cash flows and net debt (including obligations under finance leases) of US$ 374.3 million (31 December 2014: US$ 273.6 million) and committed undrawn bank facilities of US$ 45.0 million at 30 June 2015.

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- With a significant reduction in planned special projects for the second half of the year, combined with the benefit of our new vessels already delivered this year and the third one to be added in Q3 2015, we expect an increase in total available days* of more than 25% in H2, of which over 95% of the total available days* has already been contracted. This should lead to a significant increase in earnings in H2 2015.
- Net income for the full year is expected to be broadly in line with expectations.
- The new build programme, which commenced in 2014, will expand the SESV fleet by 66% by the end of 2016. Given the Group's continued success in winning contracts for the new vessels, we expect to see growth in our revenue earning capacity feeding through to the bottom line in 2016 and thereafter.
- Demand in MENA remains particularly buoyant; we are therefore continuing to review the prospects for further development of the scale of our fleet beyond the current expansion programme.
- We see the prospect of dividend growth to reflect the successful delivery of our fleet expansion programme as we enter 2016.

The above highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 4. *Please refer to the Glossary of Principal Terms.

A world leader in SESVs

About us

Gulf Marine Services is the operator of one of the world's largest fleets of advanced self-propelled Self-Elevating Support Vessels (SESVs). The Group listed on the London Stock Exchange in March 2014.

GMS' assets provide the stable platform for the delivery of a wide range of services performed by the Group's clients throughout the total lifecycle of offshore oil, gas and renewable energy activities. The vessels are capable of operations in the Middle East, South East Asia, West Africa and Europe.

The Group constructs and maintains its vessels at its yard in Abu Dhabi; its extensive new build programme makes the GMS fleet the most sophisticated in the industry. The current fleet of SESVs comprises 12 vessels; GMS will increase this to 15 vessels by 2016.

Our offering

The Group's SESV fleet is technically advanced and amongst the youngest in the industry, with an average age of eight years. The SESVs are four-legged vessels that move independently, with no requirement for anchor handling or tug support. They have a large deck space, crane capacity and accommodation facilities that can be adapted to the requirements of the Group's clients. These vessels support GMS' clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are Opex-led activities) and offshore oil and gas platform installation and offshore wind turbine installation (which are Capex-led activities).

GMS supports:

- Well intervention services and enhanced oil recovery
- Drilling support, completions and testing
- Platform construction, hookup and commissioning
- Platform restoration and maintenance
- Coil tubing, wireline, snubbing
- Well abandonment and decommissioning
- Wind turbine installation and maintenance

Three classes of vessels serve a range of client needs

Large Class Vessel

- 3 units + 1 to be constructed
- Average age: 2 years
- Water Depth: 65-80m
- Areas of operation: MENA, North West Europe, South East Asia, West Africa

Mid-Size Class Vessel

- 1 unit + 2 to be constructed
- Age: delivered in 2015
- Water Depth: 55m
- Areas of operation: MENA, North West Europe, South East Asia, West Africa

Small Class Vessel

- 8 units
- Average age: 11 years (7 years excluding Naashi)
- Water Depth: 45m
- Areas of operation: MENA, South East Asia, West Africa

History

GMS was established in Abu Dhabi, UAE in 1977. In 2007 the Group was acquired by a consortium of investors, led by private equity firm Gulf Capital, and a new senior management team was appointed, headed by the current CEO Duncan Anderson. At this time, the Group was operating three self-propelled SESVs (with a fourth undergoing refurbishment) and had another under construction. Within just seven years, GMS has successfully expanded its fleet and geographical coverage, from a local operation in Abu Dhabi to become the number one player in the Middle East, and now one of the largest operators of self-propelled SESVs in the world.

The Group's current SESV fleet stands at 12 vessels (as at August 2015); it also has an accommodation barge and two anchor-handling tug support (AHTS) vessels.

The Group's first Large Class Vessel, which opened up a market sector where vessels can operate in harsh weather and deeper water environments, was constructed in 2010, with a second delivered in 2011. In 2010 when GMS Endurance was completed it was initially deployed in Saudi Arabia, whilst the second, GMS Endeavour, was mobilised to the North Sea; both markets were a first for GMS and allowed the Group to continue its growth strategy and to expand its geographic and client footprint beyond the UAE where it had predominantly been working up to that time.

GMS operated entirely in the oil and gas sector until 2011 when it entered the offshore wind power installation market in North West Europe with one of its Large Class vessels, GMS Endeavour.

In 2014 GMS embarked on a three-year new build programme to expand its fleet by a further six SESVs. The first of these, GMS Enterprise, was completed in 2014. The first of three newly-designed Mid-Size Class vessels was completed during the period; a further two are scheduled for delivery later in 2015 and in 2016.

Duncan Anderson
Chief Executive Officer

"The Group has delivered a solid performance in the first half of the year."

"Our Fleet expansion programme is progressing on time and to budget. Given the Group's continued success in winning contracts for the new vessels, we expect to see growth in our revenue earning capacity feeding through to the bottom line and dividend prospects in 2016 and thereafter."

The Group has delivered a solid performance for the first half of the year in an otherwise challenging global market. Revenue has grown by 8% compared to H1 2014, while adjusted net profit decreased by 8% to US$ 35.0 million as we continue to invest in expanding our scale of operations to serve our growing fleet. EBITDA (adjusted for IPO costs in 2014) has increased by 2% on the comparative period to US$ 60.1 million, with a strong EBITDA margin of 61%.

GMS has continued to focus on providing cost-effective offshore support solutions to its clients and this is reflected in a high SESV utilisation rate of 98%, and with charter day rates in line with guidance. Our backlog remains healthy and its weighting towards Opex-related work gives us greater resilience to ride out the current challenges facing the industry.

Revenue was lower than we expected due to a number of special projects that characterised the period, with our clients requesting bespoke modifications to some vessels. This work reduced the operational availability of the vessels involved (of the total number of available days* in H1 2015, approximately 10% were used on special projects) and while this impacted earnings in the first half of the year, this was offset with the award of some long-term contracts that provide very good revenue visibility. With a significant reduction in planned special projects for the second half of the year, combined with the benefit of our new vessels already delivered this year and the third one to be added in Q3 2015, we expect an increase in total available days* of more than 25% in H2, of which over 95% of the total available days* has already been contracted. This should lead to a significant increase in earnings in H2 2015. Net income for the full year is expected to be broadly in line with expectations.

The Board of Directors has declared an interim dividend of 0.41 pence per ordinary share, payable on 28 September 2015 to shareholders on the register on 4 September 2015. This interim dividend represents 7% of the Group's first half earnings (H1 2014: 6%). As the period of capital investment associated with the current new build programme concludes in 2016 and the Group captures the earnings benefit from the enlarged fleet, the Board will consider the appropriate dividend policy that balances the opportunities to invest to continue to grow the business with the potential for increased shareholder returns.

During the period, we were pleased to win a major new long-term contract in MENA: a four-year charter (three years plus a one-year option) for a Large Class SESV which commenced in Q1 2015. We also delivered three SESVs to new long-term charters, two of which are new build vessels working for national oil companies in MENA, and the third for an international oil company in the Dutch sector of the North Sea.

A significant milestone was the Group's first decommissioning charter for an IOC in the North Sea. As decommissioning activity in the UKCS accelerates over the next five years we expect to see increasing business opportunities for GMS in this area, further demonstrating our flexibility and ability to adapt our vessels to changing market conditions.

Demand for our assets continues to be excellent in the Middle East, a region benefiting from major investment to substantially boost oil production

* Please refer to the Glossary of Principal Terms.

in the short to mid-term. During the period, Abu Dhabi National Oil Company (ADNOC) announced significant plans for investment over the next five years as part of the UAE's strategy to increase its crude oil output. This is positive news for GMS. We are a leading player in the Middle East, where we have been supporting well service and maintenance activities for almost 40 years. The majority of the Group's SESV fleet is located in the region, many of which are working under long-term contracts offshore off Abu Dhabi. The new build programme is progressing well with the next vessel, the Mid-Size GMS Scirocco, due for delivery as planned in Q3 2015. We are also seeing encouraging signs for a first charter for new build GMS Scirocco following delivery in Q3 2015.

Operational Review

Utilisation of the SESV fleet for the first half of the year was 98%. If the utilisation percentage were to be adjusted to illustrate the effect of the special projects mentioned above it would have been 87% for H1 2015. The SESV fleet capacity at 30 June 2015 has also increased by 20% compared to the start of the year, with the addition of two new build vessels during the period.

Charter day rates achieved for SESVs in H1 2015 remained in line with guidance, with the Large Class vessels commanding an average of US$ 85,000 and Small Class vessels US$ 40,000.

The operations team had the busiest period in the Group's history during the first six months of the year. As indicated earlier, the period has been characterised by a high number of special projects to support vessel enhancements and mobilisations for both national and international oil companies in the MENA and NWE regions of operation. This flexibility we offer to our clients, as both builders and operators of SESVs, differentiates us from other providers and is an important part of our competitive advantage and business growth strategy.

Two new build SESVs have been brought into the fleet during the period, an Enhanced Small Class, Pepper, and a Mid-Size Class, GMS Shamal. Both vessels are new designs and are operating successfully in the MENA region.

As mentioned in our 2014 Annual Report, we have developed the world's first bespoke onshore SESV simulator, in partnership with Abu Dhabi Ports Company. This has proved very successful and has been used extensively during the period by our Masters as part of their rig positioning and jacking training and for the assessment of vessel commands. We are already seeing a reduction in the time it takes to secure client approval for our senior crew, with this beneficial to the smooth running of our international operations.

The implementation of advanced satellite communication systems across the fleet has enhanced our offering to clients and contributed towards a higher level of monitoring and regular maintenance of the fleet.

We remain determined to maintain our premium position in our markets through the adoption and application of new technologies and improved practices.

As we have increased our fleet and operations across our global business, the number of man hours worked to support our expansion has risen to 2.1 million in H1 2015 (1.5 million in H1 2014). Unfortunately, two lost time injuries (LTIs) were sustained during the period, our first since 2013. We will strive to maintain our consistently low levels of LTIs, with zero being the target.

Finally, I would like to take this opportunity to congratulate our Chief Operating Officer Simon Cook. Simon, appointed COO in April, has more than 15 years' experience in offshore support vessel executive management positions internationally and previously served GMS as General Manager for the MENA region.

Market Commentary

Middle East

The market remains particularly buoyant for both Opex and Capex opportunities in the Middle East. Our Small Class SESVs operating in the region are all currently chartered with one vessel supporting Capex projects for an EPC contractor while the others are employed on Opex-related operations. We are continuing to pursue several long-term contracting opportunities in the region.

The Group has long-term confidence in the Saudi Arabian market and we previously indicated that it was our intention to increase our ownership in our KSA joint venture to 75%. I am very pleased to say this transaction was successfully completed during the period.

Europe

Two Large Class SESVs continue to operate on long-term contracts in the North Sea. Both vessels are employed in the oil and gas sector, undertaking Capex and Opex works offshore. The contract of one of these vessels has been extended by the current client to allow the SESV to move on to a new project supporting decommissioning activities. This is a welcome development which builds on an existing client relationship and establishes GMS as an early entrant into this potentially significant market. In addition to the existing fleet, we are continuing to market our new build SESVs in the European region.

Rest of World

GMS continues to explore work prospects in South East Asia and West Africa in particular where we continue to believe good opportunities exist for growth in the medium term.

Well Intervention Services

During the year we have continued to build up our in-house expertise in well services. The primary reason for doing so is to be able to engage more effectively with our customers and their sub-contractors to further develop the capabilities of our SESVs. Various enhancements include higher deck loads and increased free deck space, and a cantilever crane that will not only further improve the efficiency and cost-effectiveness of existing interventions, but will also extend the range of possible well interventions to include electric submersible pump systems replacement or plug and abandonment activities for example. The result of this work has seen significant new opportunities developing across all of our geographic markets for enhanced intervention services where clients may previously have used more expensive drilling rig solutions. We believe that our ability to provide innovative options to clients will continue to drive demand for our services and contribute towards maintaining high levels of utilisation in future.

New Build Programme

The Group's new build programme, which will expand the fleet of SESVs from nine to 15 vessels during the period 2014 to 2016, is progressing on time and to budget. The Enhanced Small Class vessel Pepper and the first Mid-Size Class vessel GMS Shamal were delivered on schedule to long-term charters in MENA in Q1 and Q2 2015 respectively. The second Mid-Size Class vessel, GMS Scirocco, is due to be delivered as planned in Q3 this year. The third Mid-Size Class vessel, GMS Sharqi, is due to be delivered in Q1 2016. The Large Class vessel GMS Evolution, which will complete the current new build programme, is scheduled for delivery in Q4 2016.

We continue to benefit from the competitive advantage that our well-established in-house facility provides, which allows us to build our vessels approximately 30% cheaper than our peers who rely on third party shipyards.

Outlook

The Group is now half way through its fleet expansion programme and we look forward to the expected increase in revenue and earnings at full year and thereafter as we feel the benefits of the newly added vessels.

We are keeping a watchful eye on the impact of the reduced oil price. Although day rates are subdued in Europe, activity levels in the MENA region remain particularly buoyant, and we are continuing to review the prospects for further development of the scale of our fleet beyond the current expansion programme.

Duncan Anderson
Chief Executive Officer
24 August 2015

Financial Results Summary

(US$ million)	H1 2015	H1 2014
Revenue	**98.2**	90.7
Gross profit	**58.2**	58.7
Adjusted EBITDA[1]	**60.1**	58.6
Net profit	**35.0**	33.1
Adjusted net profit[2]	**35.0**	38.1
Adjusted earnings per share (US cents)	**9.95**	11.45
Interim dividend per share (pence)	**0.41**	0.41

1. Representing operating profit after adding back depreciation, amortisation and non-recurring H1 2014 IPO costs.
2. After adding back non-recurring H1 2014 IPO costs.

Introduction

The Group delivered a solid set of results during the first half of 2015 with a revenue increase of 8% to US$ 98.2 million (H1 2014: US$ 90.7 million). The reported results were impacted by foreign currency exchange rate fluctuations: excluding these there was a constant currency* revenue growth of 11% during the period.

Our operations during the period have resulted in increased EBITDA of US$ 60.1 million (H1 2014: US$ 58.6 million after adding back non-recurring IPO expenses). On a constant currency* basis, adjusted EBITDA increased by 7%. Adjusted net profit after taxation for H1 2015 declined by 8% to US$ 35.0 million, but was broadly flat on a constant currency* basis. Adjusted EPS was 9.95 US cents.

Capital expenditure for H1 2015 of US$ 136.4 million (H1 2014 US$ 59.9 million) was primarily incurred on the construction of new vessels as part of the ongoing new build programme together with the the leasing of a new enhanced Small Class vessel classified as finance lease. The Group's net debt level (being borrowings and finance lease obligations less cash) increased to US$ 374.3 million at the period end (31 December 2014: US$ 273.6 million). GMS continues to have a healthy financial position with robust operating cash flows and a strong balance sheet. The Group's bank borrowings leverage ratio was 2.6 times adjusted EBITDA. At the period end, the Group had undrawn committed bank facilities of US$ 45 million (H1 2014: US$ 130.0 million).

* Please refer to the Glossary of Principal Terms.

Each of the following sections discusses the Group's adjusted results. The adjusting items (non-recurring costs) are discussed below in this review and a reconciliation between the adjusted and statutory results is contained in note 4.

Revenue and segment profit

Revenue increased by 8% to US$ 98.2 million in H1 2015 (H1 2014: US$ 90.7 million) due to the increase in the number of vessels on charter and high utilisation of 98% across the fleet (2014 full year: 97%) combined with maintenance of stable average charter day rates during the period. Constant currency* revenue growth was 11% during the period (H1 2014: 4%).

Our revenue would have been even higher in H1 2015 but for the large number of special projects, including upgrades and modifications made to several vessels, as part of client mobilisations or other special projects. This meant certain vessels were temporarily unavailable for charter hire with approximately 10% of total available days* across the SESV fleet being used for special projects during the period. However, certain vessels which underwent mobilisations received mobilisation income which is spread over the life of the client contract. The expenditure on the special projects on vessels amounted to US$ 23.5 million during the period.

The small vessel segment made the largest contribution to Group revenue with US$ 53.6 million (H1 2014: US$ 51.5 million). Revenue from large and other vessel segments was US$ 41.9 million (H1 2014: US$ 32.5 million) and US$ 2.7 million (H1 2014: US$ 6.7 million), respectively. The segment profit, being gross profit excluding depreciation is US$ 39.0 million (H1 2014: US$ 37.4 million) for small vessels, US$ 30.2 million (H1 2014: US$ 24.8 million) for large vessels, and US$ 0.6 million (H1 2014: US$ 4.5 million) for other vessels.

Cost of sales and general and administrative expenses

The Group's operating cost base is kept under constant review to ensure tight control is maintained as the Group grows. Cost of sales increased by 25% to US$ 40.0 million (H1 2014: US$ 32.0 million) on account of increased operating expenses of US$ 4.4 million and an increase in depreciation and amortisation charges on vessels of US$3.6 million, both of which mainly arise from the addition of 2 new vessels to the fleet which increased the SESV fleet size by 20% during the period. Cost of sales as a percentage of revenue increased to 41% (H1 2014: 35%) mainly due to revenue growth being impacted by the vessels which were temporarily taken out of service to undergo upgrades and modifications as part of a number of special projects, as discussed above.

General and administrative expenses excluding non-recurring costs increased 22% to US$ 10.3 million (H1 2014: US$ 8.4 million – excluding non-recurring IPO costs of US$ 5.0 million) as we expanded our workforce to effectively meet the increased requirements of our growing business, plus the additional costs of operating as a listed company for the full six-month period. As a percentage of revenue, general and administrative expenses excluding non-recurring costs was 10.5% (H2 2014: 10.7%).

EBITDA

Adjusted EBITDA for the period was US$ 60.1 million (H1 2014: US$ 58.6 million). The Group's EBITDA margin decreased from 65% in H1 2014 to 61% in H1 2015, mainly as cost of sales increased with the addition of new vessels during the period, combined with a lower increase in revenue due to certain vessels undergoing special projects and an increased number of mobilisations in the period. In addition, the increase in general and administrative expenses during the period, described above, has impacted the Group's EBITDA margin.

Finance costs

Net finance costs in H1 2015 were marginally higher at US$ 11.2 million (H1 2014: US$ 10.9 million), mainly as a result of additional drawdowns made on the Capex facility to fund the ongoing new build programme and the purchase of a previously leased vessel.

Taxation

The tax charge for the period was US$ 1.2 million (H1 2014: US$ 1.2 million), representing 3.3% (H1 2014: 3.6%) of profit for the period before taxation. The marginal decrease in the effective tax rate is due to a greater weighting of profits being generated in lower tax jurisdictions.

Adjusted net profit and earnings per share

The Group recorded a decrease in adjusted net profit of 8% in H1 2015 to US$ 35.0 million (H1 2014: US$ 38.1 million). The fully diluted adjusted earnings per share (DEPS) for the six-month period ended 30 June 2015 is 9.91 cents (H1 2014: 11.45 cents). Adjusted DEPS is calculated based on adjusted profit after tax and reconciliation between the adjusted and unadjusted profit is given in note 4.

Dividends

An interim dividend of 0.41p per ordinary share has been declared by the Board of Directors and is payable on 28 September 2015 to shareholders on the register at 4 September 2015. This represents an increase in interim dividend yield as a percentage of adjusted net income to 7% (H1 2014: 6%). This interim dividend totaling US$ 2.4 million has not been recognised as a liability in the interim financial statements as it was declared after the balance sheet date.

Capital expenditure

The Group's capital expenditure during the six-month period ended 30 June 2015 was US$ 136.4 million (30 June 2014: US$ 59.9 million) including US$ 23.5 million spent on special projects which include vessel upgrades and modifications. The main area of investment was additions to existing vessels of US$ 73.6 million (H1 2014: US$ 0.37 million) which includes the leasing of a new enhanced Small Class vessel classified as finance lease, and additions to assets under the course of construction amounting to US$ 62.2 million (H1 2014: US$ 58.6 million. Expenditure on operating equipment and additions to other fixed assets was US$ 0.55 million (H1 2014: US$ 0.93 million).

Cash flow and liquidity

The Group's net cash flow from operating activities for H1 2015 reflected an increased net inflow of US$ 45.9 million (H1 2014: net inflow of US$ 41.2 million).

Net cash outflow from investing activities for H1 2015 was US$ 112.7 million (H1 2014: US$ 95.6 million). The increase in outflow was mainly due to an increase in payments for property, plant and equipment as activities increased on the ongoing new build programme.

The Group's net cash relating to financing activities during H1 was an inflow of US$ 58.3 million (H1 2014: US$ 55.6 million). This net positive balance was mainly attributable to receipt of bank borrowings of US$ 85.0 million which were partly offset by repayment of bank borrowings and interest payments amounting to US$ 18.6 million.

Period end net debt was US$ 374.3 million (31 December 2014: US$ 273.6 million). The period end outstanding debt was US$ 425.3 million (31 December 2014: US$ 333.1 million) being bank borrowings of US$ 328.4 million (31 December 2014: US$ 249.2 million) and finance lease obligations of US$ 97.0 million (31 December 2014: US$ 84.0 million). Undrawn committed bank facilities were US$ 45 million. The Group was in full compliance with its debt covenants, with significant headroom, and expects to remain so.

Secured undrawn debt facilities and strong operating cashflows ensure that the Group is fully financed to complete its in-house new build construction programme for the years 2015 and 2016.

Balance sheet

The Group has a robust and well financed balance sheet. A review of the major components of the balance sheet follows.

Total current assets at 30 June 2015 were US$ 101.9 million (31 December 2014: US$ 109.5 million). This movement is attributable to the decrease in cash and cash equivalents to US$ 51.1 million (31 December 2014: US$ 60.0 million).

Total current liabilities at 30 June 2015 were US$ 83.0 million (31 December 2014: US$ 99.8 million), the principal movement being the decrease in the current portion of obligations under finance leases to US$ 5.4 million (31 December 2014: US$ 41.5 million) mainly as a result of the exercise of a purchase option on a leased vessel which was partially offset by an increase in the current portion of bank borrowings to US$ 49.7 million (31 December 2014: US$ 23.4 million). There was a reduction in trade and other payables to US$ 24.6 million (31 December 2014: US$ 30.1 million).

The combined result of the above was an increase in the Group's combined working capital and cash to US$ 18.9 million (31 December 2014: US$ 9.7 million).

Total non-current assets at 30 June 2015 were US$ 742.4 million (31 December 2014: US$ 620.2 million). This increase is primarily attributable to a US$ 124.8 million increase in the net book value of property, plant and equipment from the ongoing new build programme to expand the fleet.

Total non-current liabilities at 30 June 2015 were US$ 374.5 million (31 December 2014: US$ 270.7 million). This increase is primarily due to an increase in the non-current portion of bank borrowings to US$ 278.7 million (31 December 2014: US$ 225.7 million) and the leasing of a new small class vessel which increased the non-current portion of obligations under finance lease to US$ 91.6 million (31 December 2014: US$ 42.5 million).

Shareholders' equity increased from US$ 358.6 million at 31 December 2014 to US$ 386.1 million at 30 June 2015. The movement is mainly attributed to profit during the period partially offset by the dividend paid of US$ 5.6 million.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of performance. A reconciliation between the adjusted and statutory results is given in note 4.

Risks and uncertainties

The Group's operations expose it to a variety of risks and uncertainties. The principal risks relate to the ability to win new contracts and maintain existing contracts, day rates and utilisation; the delivery of our new build programme as scheduled and the successful operation of existing and new vessels with minimum technical downtime.

Effective management of these risks is essential to the delivery of the Group's business plans and strategic objectives. The Group has a robust cash generating business and a strong track record of more than 38 years of successful operations. The focus is on early identification of key risks, mitigation or removal of those risks and a fast and effective response should any risks crystallise. The Board has overall responsibility for the management of risk across the Group and is supported by the Audit and Risk Committee and senior management within the organisation.

There has been no material change to the key risks and uncertainties disclosed in the Group's 2014 Annual Report.

Independent Review Report
to Gulf Marine Services PLC

We have been engaged by Gulf Marine Services PLC (the "Company") to review the condensed set of consolidated financial statements of the Company and its subsidiaries (the "Group") in the half-yearly financial report for the six months ended 30 June 2015 which comprise the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual consolidated financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in the half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
24 August 2015
London, United Kingdom

Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 June 2015

	Notes	6 months ended 30 June 2015 US$'000	6 months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Revenue	3	**98,196**	90,650	196,554
Cost of sales		**(40,031)**	(31,957)	(70,094)
Gross profit		**58,165**	58,693	126,460
General and administrative expenses		**(10,286)**	(13,467)	(25,417)
Operating profit		**47,879**	45,226	101,043
Finance income		**286**	413	843
Finance expense		**(11,525)**	(11,381)	(21,354)
Other (loss)/income		**(200)**	115	245
Foreign exchange loss, net		**(278)**	(48)	(408)
Profit for the period before taxation		**36,162**	34,325	80,369
Taxation charge for the period	5	**(1,178)**	(1,238)	(4,744)
Profit for the period		**34,984**	33,087	75,625
Other comprehensive income				
Exchange differences on translating foreign operations*		**(295)**	155	(430)
Total comprehensive income for the period		**34,689**	33,242	75,195
Profit attributable to:				
Owners of the Company		**34,770**	32,722	75,065
Non-controlling interests		**214**	365	560
		34,984	33,087	75,625
Total comprehensive income attributable to:				
Owners of the Company		**34,475**	32,877	74,635
Non-controlling interest		**214**	365	560
		34,689	33,242	75,195
Earnings per share				
Basic (cents per share)	6	**9.95**	9.93	22.14
Diluted (cents per share)	6	**9.91**	9.93	22.04

* May be reclassified subsequently to profit or loss.

Results in each period are derived from continuing operations.

Condensed Consolidated Balance Sheet
as at 30 June 2015

	Notes	30 June 2015 US$'000	31 December 2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**739,249**	614,524
Intangibles		**562**	750
Dry docking asset		**2,545**	4,177
Fixed assets prepayments		**–**	750
Total non-current assets		**742,356**	620,201
Current assets			
Cash and bank balances		**51,066**	59,532
Trade and other receivables	8	**50,831**	49,948
Total current assets		**101,897**	109,480
Total assets		**844,253**	729,681
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**57,929**	57,929
Share premium		**93,075**	93,247
Group restructuring reserve		**(49,437)**	(49,437)
Restricted reserve		**272**	272
Capital contribution		**9,177**	9,177
Share option reserve	9	**1,276**	563
Translation reserve		**(115)**	180
Retained earnings		**273,960**	246,631
Equity attributable to the owners of the Company		**386,137**	358,562
Non-controlling interest		**596**	610
Total equity		**386,733**	359,172

Condensed Consolidated Balance Sheet
as at 30 June 2015 continued

	Notes	30 June 2015 US$'000	31 December 2014 US$'000
Non-current liabilities			
Bank borrowings	10	**278,655**	225,741
Obligations under finance leases	10	**91,578**	42,473
Provision for employees' end of service benefits		**2,652**	2,468
Other payables		**1,612**	–
Deferred tax liability		**5**	5
Total non-current liabilities		**374,502**	270,687
Current liabilities			
Trade and other payables		**24,633**	30,120
Derivative financial instruments	12	**202**	–
Current tax liability		**3,073**	4,809
Bank borrowings	10	**49,714**	23,415
Obligations under finance leases	10	**5,396**	41,478
Total current liabilities		**83,018**	99,822
Total liabilities		**457,520**	370,509
Total equity and liabilities		**844,253**	729,681

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

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2015

	Share capital US$'000	Share premium US$'000	Statutory reserve US$'000	Restricted reserve US$'000
As at 1 January 2015	57,929	93,247	–	272
Total comprehensive income for the period	–	–	–	–
Share issue cost	–	(172)	–	–
Share options rights charge	–	–	–	–
Acquisition of interest in Joint Venture	–	–	–	–
Dividends paid during the period	–	–	–	–
At 30 June 2015	**57,929**	**93,075**	**–**	**272**
At 1 January 2014	273	–	136	136
Total comprehensive income for the period	–	–	–	–
Share appreciation rights charge	–	–	–	–
Group restructuring	49,437	–	–	–
Transfer of capital contribution	–	–	–	–
Transfer to restricted reserve	–	–	(136)	136
Issue of share capital – IPO	8,219	102,702	–	–
Share issue costs	–	(8,610)	–	–
Share options granted	–	–	–	–
At 30 June 2014	**57,929**	**94,092**	**–**	**272**

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

Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
(49,437)	563	9,177	180	246,631	358,562	610	359,172
–	–	–	(295)	34,770	34,475	214	34,689
–	–	–	–	–	(172)	–	(172)
–	713	–	–	–	713	–	713
–	–	–	–	(1,817)	(1,817)	(228)	(2,045)
–	–	–	–	(5,624)	(5,624)	–	(5,624)
(49,437)	**1,276**	**9,177**	**(115)**	**273,960**	**386,137**	**596**	**386,733**
–	–	78,527	610	103,228	182,910	1,328	184,238
–	–	–	155	32,722	32,877	365	33,242
–	–	1,400	–	–	1,400	–	1,400
(49,437)	–	–	–	–	–	–	–
–	–	(70,750)	–	70,750	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	110,921	–	110,921
–	–	–	–	–	(8,610)	–	(8,610)
–	97	–	–	–	97	–	97
(49,437)	**97**	**9,177**	**765**	**206,700**	**319,595**	**1,693**	**321,288**

Condensed Consolidated Statement of Cash Flows
for the period ended 30 June 2015

	6 months ended 30 June 2015 US$'000	6 months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Net cash from operating activities (note 11)	**45,927**	41,223	120,353
Investing activities			
Payments for property, plant and equipment	**(112,114)**	(50,102)	(136,563)
Proceeds from disposal of property, plant and equipment	**3**	25	25
Fixed asset prepayments	**750**	(1,843)	(750)
Dry docking expenditure incurred	**(1,836)**	(390)	(4,656)
Investment in short term deposits exceeding three months	**–**	(43,400)	–
Movement in pledged deposits	**266**	–	1,679
Movement in guarantee deposits	**(84)**	(164)	(164)
Interest received	**286**	308	843
Net cash used in investing activities	**(112,729)**	(95,566)	(139,586)
Financing activities			
Bank borrowings received	**85,000**	–	–
Proceeds from share issue	**–**	110,921	110,921
Share issue costs paid	**(172)**	(8,610)	(9,455)
Repayment of bank borrowings	**(6,500)**	(6,500)	(13,000)
Repayment of loans from related parties	**–**	(19,504)	(19,504)
Repayment of short term loans to shareholders	**–**	–	(782)
Interest paid	**(12,111)**	(13,188)	(22,814)
Payment on obligations under finance lease	**(2,257)**	(2,324)	(4,832)
Dividends paid	**(5,624)**	–	(3,455)
Decrease in loans to related parties	**–**	445	445
Payment of issue costs on borrowings	**–**	(5,623)	(5,656)
Net cash generated from financing activities	**58,336**	55,617	31,868
Net (decrease)/increase in cash and cash equivalents	**(8,466)**	1,274	12,635
Cash and cash equivalents at the beginning of the period	**59,532**	46,897	46,897
Cash and cash equivalents at the end of the period	**51,066**	48,171	59,532

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

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2015

1 Corporate information

Gulf Marine Services PLC (the "Company") is a Company which was registered in England and Wales on 24 January 2014. The Company is a public limited liability company with operations mainly in the Middle East and North Africa, and Europe. The address of the registered office of the Company is 1st Floor, 40 Dukes Place, London EC3A 7NH. The registered number of the Company is 08860816.

The Company and its subsidiaries (collectively the "Group") are engaged in providing self-propelled, self-elevating support vessels which provide the stable platform for delivery of a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities and are capable of operations in the Middle East, South East Asia, West Africa and Europe.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorised for issue on 24 August 2015. The interim condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated interim financial statements have been reviewed, not audited. The information for the year ended 31 December 2014, contained in the condensed consolidated interim financial statements, does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The Company issued statutory financial statements for the year ended 31 December 2014 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Those financial statements were approved by the Board of Directors on 23 March 2015. The report of the auditor on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006. A copy of the statutory accounts for year ended 31 December 2014 has been delivered to the Registrar of Companies.

2 Basis of preparation

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The interim set of condensed consolidated financial statements included in this half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union.

The condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2014. In addition, results for the six-month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. The condensed consolidated statement of comprehensive income for the six month period ended 30 June 2015 is not affected significantly by seasonality of results.

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2015 continued

2 Basis of preparation continued

Going concern

The Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and has in place a committed term loan facility of US$ 110 million, of which US$ 85 million has been drawn, to help fund its capital expenditure programme, and a committed working capital facility of US$ 40 million, of which US$ 20 million has been drawn (see note 10).

On the basis of their assessment of the Group's financial position for a period of not less than 12 months from the date of approval of the half year results, the Group's Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the condensed consolidated financial statements.

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 as disclosed in the Annual Report, except for the adoption of new standards and interpretations effective as of 1 January 2015 none of which had a material impact on the results or financial position of the Group.

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

- IFRIC 21 *Levies*.
- Annual improvements to IFRSs: 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* – Guidance on Investment Entities.

3 Segment reporting

The segment information provided to the Chief Operating Decision Makers for the operating and reportable segments for the period include the following:

	Revenue			Segment Profit		
	6 months ended 30 June		31 December	6 months ended 30 June		31 December
	2015 US$'000	2014 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2014 US$'000
Small Class vessels	**53,595**	51,519	104,424	**38,961**	37,410	75,623
Large Class vessels	**41,865**	32,481	79,351	**30,217**	24,766	60,493
Others	**2,736**	6,650	12,779	**638**	4,495	7,574
Total	**98,196**	90,650	196,554	**69,816**	66,671	143,690
Less:						
Depreciation charged to cost of sales				**(10,968)**	(7,702)	(15,973)
Amortisation charged to cost of sales				**(683)**	(276)	(1,257)
Gross profit				**58,165**	58,693	126,460
General and administrative expenses				**(10,286)**	(13,467)	(25,417)
Finance income				**286**	413	843
Finance expense				**(11,525)**	(11,381)	(21,354)
Other income				**123**	153	245
Loss on disposal of asset				**(323)**	(38)	–
Loss on exchange				**(278)**	(48)	(408)
Profit before taxation				**36,162**	34,325	80,369

The results of the Mid-Size Class vessel delivered during H1 2015 were not material and have therefore been included within the Others segment in the table above.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in each of the periods.

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2015 continued

4 Presentation of adjusted results

The following table provides a reconciliation between the Group's adjusted and statutory financial results:

	6 months ended 30 June 2015			6 months ended 30 June 2014		
	Adjusted results US$'000	Adjusting items US$'000	Statutory total US$'000	Adjusted results US$'000	Adjusting items US$'000	Statutory total US$'000
Revenue	**98,196**	**–**	**98,196**	90,650	–	90,650
Cost of sales						
– Operating expenses	**(28,380)**	**–**	**(28,380)**	(23,979)	–	(23,979)
– Depreciation and amortisation	**(11,651)**	**–**	**(11,651)**	(7,978)	–	(7,978)
Gross profit	**58,165**	**–**	**58,165**	58,693	–	58,693
General and administrative						
– Depreciation	**(550)**	**–**	**(550)**	(393)	–	(393)
– IPO costs*	**–**	**–**	**–**	–	(5,020)	(5,020)
– Other administrative costs	**(9,736)**	**–**	**(9,736)**	(8,054)	–	(8,054)
Operating profit	**47,879**	**–**	**47,879**	50,246	(5,020)	45,226
Finance income	**286**	**–**	**286**	413	–	413
Finance expense	**(11,525)**	**–**	**(11,525)**	(11,381)	–	(11,381)
Other income/(loss)	**(200)**	**–**	**(200)**	115	–	115
Foreign exchange gain/loss, net	**(278)**	**–**	**(278)**	(48)	–	(48)
Profit before taxation	**36,162**	**–**	**36,162**	39,345	(5,020)	34,325
Tax	**(1,178)**	**–**	**(1,178)**	(1,238)	–	(1,238)
Net profit	**34,984**	**–**	**34,984**	38,107	(5,020)	33,087
Profit attributable to owners of the Company	**34,770**	**–**	**34,770**	37,741	–	32,722
Non-controlling interest	**214**	**–**	**214**	366	–	365
Earnings per share	**9.95**		**9.95**	11.45	(1.52)	9.93
Supplementary non-statutory information						
Operating profit	**47,879**	**–**	**47,879**	50,246	(5,020)	45,226
Add: Depreciation and amortisation charges	**12,201**	**–**	**12,201**	8,371	–	8,371
EBITDA	**60,080**	**–**	**60,080**	58,617	(5,020)	53,597

* IPO costs, by their nature, are not considered part of the Group's underlying business.

5 Taxation

Tax is charged at 3.3% for the six months ended June 2015 (2014: 3.6%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the Group's pre-tax income of the six-month period.

The withholding tax included in the current tax charge amounted to US$ 0.7 million (six months June 2014: US$ 1.25 million).

6 Earnings per share

	6 months ended June 2015	6 months ended June 2014	31 December 2014
Earnings for the purpose of basic and diluted earnings per share being profit for the period attributable to owners of the parent (US$'000)	**34,770**	32,722	75,065
Earnings for the purpose of adjusted basic and diluted earnings per share (US$'000) (see note 4)	**34,770**	37,741	80,751
Weighted average number of shares ('000)	**349,528**	329,553	339,079
Weighted average diluted number of shares ('000)	**350,788**	329,553	340,523
Basic earnings per share (cents)	**9.95**	9.93	22.14
Diluted earnings per share (cents)	**9.91**	9.93	22.04
Adjusted earnings per share (cents)	**9.95**	11.45	23.81
Adjusted diluted earnings per share (cents)	**9.91**	11.45	23.71

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period (as disclosed in the statement of comprehensive income) by the weighted average number of ordinary shares in issue during the period.

Adjusted earnings per share is calculated on the same basis but uses the earnings for the purpose of basic earnings per share (shown above) adjusted by adding back non-recurring costs which have been charged to the income statement. In the period there were no non-recurring costs which were added back (30 June 2014: US$ 5.0 million of non-recurring IPO costs were added back). The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (note 4) attributable to the equity shareholders of the Company.

The following table shows a reconciliation between basic and diluted average number of shares:

	30 June 2015 000's	30 June 2014 000's	31 December 2014 000's
Weighted average basic number of shares in issue	**349,528**	329,553	339,079
Effect of share options under LTIP schemes	**1,260**	–	1,444
Weighted average diluted number of shares in issue	**350,788**	329,553	340,523

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2015 continued

7 Property, plant and equipment

	Vessels US$'000	Assets under construction US$'000	Land, Building and Improvements US$'000	Vessel Spares US$'000	Others US$'000	Total US$'000
Cost						
Balance as at 1 January 2015	**615,168**	**88,711**	**7,400**	**10,586**	**4,845**	**726,710**
Additions	73,637	62,204	56	492	–	136,389
Transfers	69,429	(67,856)	–	(1,573)	–	–
Disposals	(500)	–	–	–	(28)	(528)
Effect of foreign exchange fluctuation	–	–	–	–	(7)	(7)
Balance as at 30 June 2015	**757,734**	**83,059**	**7,456**	**9,505**	**4,810**	**862,564**
Accumulated depreciation						
Balance at 1 January 2015	**98,514**	**–**	**4,424**	**5,823**	**3,425**	**112,186**
Eliminated on disposals of assets	(174)	–	–	–	(28)	(202)
Depreciation expense	10,541	–	138	324	328	11,331
Balance as at 30 June 2015	**108,881**	**–**	**4,562**	**6,147**	**3,725**	**123,315**
Net book value as at 30 June 2015	**648,853**	**83,059**	**2,894**	**3,358**	**1,085**	**739,249**

	Vessels US$'000	Assets under construction US$'000	Land, Building and Improvements US$'000	Vessel Spares US$'000	Others US$'000	Total US$'000
Cost						
Balance as at 1 January 2014	**517,520**	**50,710**	**6,361**	**8,089**	**3,706**	**586,386**
Additions	1,675	136,607	–	2,260	176	140,718
Transfers	96,023	(98,606)	1,039	505	1,039	–
Disposals	(50)	–	–	(268)	(76)	(394)
Balance as at 31 December 2014	**615,168**	**88,711**	**7,400**	**10,586**	**4,845**	**726,710**
Accumulated depreciation						
Balance at 1 January 2014	**83,461**	**–**	**4,225**	**5,276**	**3,070**	**96,032**
Eliminated on disposals of assets	(4)	–	–	(268)	(59)	(331)
Depreciation expense	15,057	–	199	815	414	16,485
Balance as at 31 December 2014	**98,514**	**–**	**4,424**	**5,823**	**3,425**	**112,186**
Net book value as at 31 December 2014	**516,654**	**88,711**	**2,976**	**4,763**	**1,420**	**614,524**

The carrying amount of vessels held under finance leases is US$ 101.4 million (31 December 2014: US$ 91.4 million). During the period the Group purchased the formerly leased vessel Keloa and also entered into a new finance lease for the Pepper (see note 10).

Included within additions is US$ 2.4 million (2014: US$ 1.9 million) in respect of capitalised borrowing costs incurred on vessels under construction. The capitalisation rate used to determine this figure was 2.87% (2014: 2.89%).

8 Trade and other receivables

	30 June 2015 US$'000	31 December 2014 US$'000
Trade receivables	**39,398**	38,137
Allowance for doubtful receivables	**(1,183)**	(1,383)
Accrued income	**7,162**	5,099
Prepayments and deposits	**4,161**	6,923
Advances to suppliers	**700**	644
Other receivables	**250**	185
Due from related parties	**343**	343
Total	**50,831**	49,948

9 Share option reserve

Share based expenses for the period of US$ 0.71 million (31 December 2014: US$ 0.56 million) relate to awards granted to employees under the Group's Long Term Incentive Plan (LTIP). The charge is included in general and administrative expenses in the statement of comprehensive income.

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2015 continued

10 Borrowings

Borrowings represent bank borrowings and obligations under finance leases. Bank borrowings relate to the bank facility provided by Abu Dhabi Islamic Bank, which comprises of term loans and amounts drawn under a revolving working capital facility.

	30 June 2015 US$'000	31 December 2014 US$'000
Current		
Obligations under finance leases	**5,396**	41,478
Bank borrowings	**49,714**	23,415
Non-current		
Obligations under finance leases	**91,578**	42,473
Bank borrowings	**278,655**	225,741
Total borrowings	**425,343**	333,107

The Group has undrawn committed loan facilities at the period end as shown below:

	30 June 2015 US$'000	31 December 2014 US$'000
Term loan facility	**25,000**	110,000
Working capital facility	**20,000**	20,000
Undrawn committed loan facility	**45,000**	130,000

Net debt during the period was as follows:

	30 June 2015 US$'000	31 December 2014 US$'000
Bank borrowings	**328,369**	249,156
Obligations under finance leases	**96,974**	83,951
Less: Cash at bank and in hand	**(51,066)**	59,532
Total	**374,277**	273,575

Against the term loan facility of US$ 110 million, a facility of US$ 85 million has been drawn down during the period to fund the purchase of a leased small class vessel (Keloa – see below) and to fund the ongoing new build programme.

On 16 March 2015 the option to purchase the leased vessel Keloa was exercised. In January 2014, the Group entered into an arrangement to lease an Enhanced Small Class vessel (Pepper) which commenced in March 2015 for a five-year term and which, due to the terms of certain options held by the Group to purchase the vessel during the lease term, has been classified as a finance lease.

11 Notes to the cash flow statement

	6 months ended 30 June 2015 US$'000	6 months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Profit for the year before taxation	**36,162**	34,325	80,369
Adjustments for:			
Depreciation of property, plant and equipment	**11,331**	7,906	16,485
Amortisation of intangibles	**188**	188	375
Amortisation of dry docking expenditure	**683**	277	1,257
End of service benefit charge	**399**	357	701
End of service benefits paid	**(215)**	(34)	(143)
Provision for doubtful debts, net	**200**	296	1,278
Fair value loss on derivative financial instrument	**202**	–	61
Loss on disposal of property, plant and equipment	**323**	38	38
Share based payment expense	**–**	1,497	1,400
Share options rights charge	**713**	–	562
Interest income	**(286)**	(413)	(843)
Interest expense	**9,804**	10,461	19,475
Other income	**–**	–	(284)
Amortisation of issue costs	**1,520**	920	1,816
Cash flow from operating activities before movement in working capital	**61,024**	55,818	122,547
Increase in trade and other receivables	**(5,186)**	(6,808)	(6,665)
(Decrease)/increase in trade and other payables	**(6,997)**	(3,035)	8,087
Decrease in due to related parties	**–**	(782)	–
Cash generated from operations	**48,841**	45,193	123,969
Taxation paid	**(2,914)**	(3,970)	(3,616)
Net cash generated from operating activities	**45,927**	41,223	120,353

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2015 continued

12 Derivative financial instruments

The Group held the following derivative financial instruments at fair value at 30 June 2015:

Six months ended 30 June 2015	Notional amount US$'000	Fair Value US$'000
Forward foreign exchange contract I	5,704	106
Forward foreign exchange contract II	5,134	96
Total	**10,838**	**202**

The fair value measurement of the derivative financial instruments have been determined by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. They represent Level 2 fair value measurements under the IFRS hierarchy.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. The Group does not apply hedge accounting and realised and unrealised gains and losses are recognised in the statement of comprehensive income. The fair value part of a hedging derivative financial instruments that has a remaining term of 12 months or less is classified as current asset or liability.

The Group had no financial instruments in the current or previous year with fair values that are determined by reference to significant unobservable inputs i.e., those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

13 Capital commitments

Capital commitments as at 30 June 2015 were US$ 30.3 million (31 December 2014: US$ 52.8 million) comprising mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or the refurbishment of existing vessels.

14 Related parties

Certain members of key management personnel received share option awards during the period, under the terms of the Group's Long Term Incentive Plan.

The number of share awards made to the key management personnel is given in the table below together with their weighted average fair value ('WAFV') and weighted average grant price ('WAGP'). The exercise price of the share awards is nil (2014: nil). No share awards vested in the year.

Scheme	WAFV US$	WAGP US$	Expiry date	Number of options vested	Number of options unvested	30 June 2015 Total outstanding
2015 LTIPs – Senior Management	1.66	1.95	March 2018	–	1,626,299	1,626,299

There were no other financially significant related party transactions during the six months ended 30 June 2015.

15 Events after the reporting period

After the period end, the Directors declared an interim dividend of 0.41 pence (0.69 cents) per ordinary share, which will be paid on 28 September 2015 to shareholders on the register on 4 September 2015. The interim consolidated financial statements do not reflect the interim dividend, which will be recognised in equity attributable to the owners of the parent as an appropriation of retained earnings in the financial statements for the year ending 31 December 2015.

Responsibility Statement
Financial information for the period ended 30 June 2015

We confirm that to the best of our knowledge:

(a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

(b) the interim management report includes a fair view of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair view of the information required by DTR 4.2.8R (disclosure of related parties transactions and changes therein).

By order of the Board

Duncan Anderson
Chief Executive Officer
24 August 2015

John Brown
Chief Financial Officer
24 August 2015

Available days
The number of days during which a vessel is available for hire. Periods during which the vessel is not available for hire due to planned upgrade work, transit time for long-term relocation to a new region or construction are excluded from the available days. In calculating available days for each SESV in a given year, we also subtract from a base of 365 days those days spent on mobilisation and demobilisation, planned refurbishment and, in the case of a newly constructed SESV, delivery time.

Board
The Directors of the Company.

Company
Gulf Marine Services PLC.

Constant currency basis
Results that have been calculated by retranslating the comparative period results using current period exchange rates.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

EPC
Engineering, Procurement and Construction.

GMS
The Gulf Marine Services Group.

Group
The Company and its subsidiaries.

IFRS
International Financial Reporting Standards.

IOC
International Oil Company.

IPO
Initial Public Offering.

MENA
Middle East and North Africa.

SESV
Self-Elevating Support Vessel.

UKCS
United Kingdom Continental Shelf.

Utilisation
The percentage of available days in a relevant period during which an SESV is under contract and in respect of which a customer is paying a day rate for the charter of the SESV.

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Senior Independent
Non-Executive Director

Richard Anderson
Independent Non-Executive Director

Mike Straughen
Independent Non-Executive Director

Richard Dallas
Non-Executive Director

Dr Karim El Solh
Non-Executive Director

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