Gulf Marine Services PLC

(‘Gulf Marine Services’, ‘GMS’, ‘the Company’ or ‘the Group’)

Preliminary Results for the year ended 31 December 2017

Gulf Marine Services (LSE: GMS), the leading provider of advanced self-propelled self-elevating support vessels (SESVs) serving the offshore oil, gas and renewable energy sectors, today announces its results for the year ended 31 December 2017.

Financial Results Summary

US$ million	***2017***	***2016***
Revenue	112.9	179.4
Gross profit	36.0	74.3
Adjusted gross profit*	43.3	95.6
Adjusted EBITDA*	58.5	106.8
(Loss) / profit for the year	(18.2)	29.4
Adjusted net profit*	4.8	50.7
Diluted (loss) / earnings per share (US cents)	(5.31)	8.34
Adjusted diluted earnings per share (US cents)*	1.26	14.35
Final dividend per share (pence)	Nil	1.20

Operational Highlights

- Utilisation of the core SESV fleet[1] of 61% in 2017 (2016: 70%), delivering 13 percentage points' improvement on Q4 2016.
- Utilisation of Large Class and Mid-Size Class vessels both above 70%, with Small Class vessel utilisation of 53%.
- Three new long-term contracts secured in 2017, with a total charter period in excess of six years. Two eight-month charters also secured. (All contracts include option periods.)
- A long-term contract extension awarded in early 2018 for an additional 16 months (including option periods).

- Sale of two non-core assets and return of a leased vessel to its owner.
- GMS Evolution with cantilever system commissioned and UK Safety Case approved.
- Expanded GMS operational base in Saudi Arabia to support increased activities.
- Excellent HSE performance, with zero lost time injuries in the year.

Financial Highlights

- Adjusted EBITDA* reduced to US$ 58.5 million (2016: US$ 106.8 million) in a challenging market environment.
- Continued focus on cost management helps partially offset pressure on day rates, delivering an adjusted EBITDA margin* of 52% (2016: 60%).
- Gross profit of US$ 36.0 million (2016: US$ 74.3 million), with adjusted gross profit* of US$ 43.3 million (2016: US$ 95.6 million).
- Adjusted net profit* of US$ 4.8 million (2016: US$ 50.7 million), with adjusted diluted earnings per share* of 1.26 cents (2016: 14.35 cents).
- Loss for the year of US$ 18.2 million (2016: net profit of US$ 29.4 million) includes a non-cash impairment charge of US$ 7.3 million in H1, and the expensing of US$ 15.6 million of costs relating to the debt modification.
- Diluted loss per share of 5.31 cents (2016: diluted earnings per share 8.34 cents).
- Good progress made in reducing total net borrowings* at year end to US$ 372.8 million (being all net bank debt*) (2016: US$ 413.6 million, including net bank debt of US$ 373.5 million).
- Amended bank facility agreement in the year increases liquidity and financial flexibility (term extended by two years, 2018-2019 loan repayments reduced and financial covenants relaxed).
- No dividend to be paid for 2017 as the Group focuses on reducing bank debt.

Outlook

- Secured backlog* of US$ 160.6 million (including options) as at 1 March 2018.
- Increasing levels of enquiries and tender activity in the Middle East and Europe.
- GMS is well-placed to capitalise on a recovering market with its modern fleet, industry-leading operational expertise and technological capability.

Duncan Anderson, Chief Executive Officer for GMS, commented:

"I am pleased with how GMS has navigated the prolonged industry downturn, although the challenging market conditions are clearly reflected in our results being lower for the year. We maintained our EBITDA margin at over 50% and it is encouraging to have achieved above 70% utilisation for the year for our Large and Mid-Size Class vessels when average deployment rates in our industry are so low at present. The GMS SESV fleet is one of the youngest in the industry and this has helped us to continue to win work in the current environment where clients are able to exercise a preference for modern tonnage. We have made excellent progress in diversifying our operational footprint and reducing our dependency on a single geography. We expect this process to continue.

"The amendments we agreed to our bank facilities in the year have increased our liquidity and financial flexibility. Looking ahead to 2018, the Group expects to continue to benefit from its reputation for providing best-in-class SESV operations within our sector. Our expertise, combined with supplying our clients with bespoke solutions that can help them realise meaningful cost efficiencies in their own operations, makes us well-placed to capitalise on a market recovery."

– Ends –

**This metric is an Alternative Performance Measure. Refer to note 17 for further details and definitions.*

[1] The GMS core fleet consists of 13 SESVs with an average of seven years, which excludes the 35-year-old vessel Naashi and the previously leased Small Class vessel Kinoa that was returned to its owner in 2017 on completion of its lease.

The above highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 2. Refer to note 17 for a list of definitions.

Analyst presentation: A management presentation to analysts will be held on 27 March at 09.30am. For additional details and registration for admission, please contact Leanne Shergold via email at: lshergold@brunswickgroup.com

Presentation slides: The full year results presentation slides will be available on the GMS website after the presentation: *http://www.gmsuae.com/investor-relations/results-and-presentations*

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Notes to Editors:
Gulf Marine Services PLC, a company listed on the London Stock Exchange, was founded in Abu Dhabi in 1977 and has become the leading provider of advanced self-propelled self-elevating support vessels (SESVs) in the world. The fleet serves the oil, gas and renewable energy industries from its offices in the United Arab Emirates, Saudi Arabia, Malaysia and the United Kingdom. The Group's assets are capable of serving clients' requirements across the globe, including those in the Middle East, South East Asia, West Africa and Europe.

The GMS core fleet of 13 SESVs is amongst the youngest in the industry, with an average age of seven years. The 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), as well as offshore oil and gas platform installation and decommissioning and offshore wind turbine installation (which are capex-led activities).

The SESVs are categorised by size, Large Class, Mid-Size Class and Small Class, with these operating in water depths of 80m, 55m and 45m respectively. The vessels are four-legged and are self-propelled, which means they do not require tugs or similar support vessels for moves between locations in the field; this makes them significantly more cost-effective and time-efficient than conventional offshore support vessels without self-propulsion. They have a large deck space, crane capacity and accommodation facilities (for up to 300 people) that can be adapted to the requirements of the Group's clients. In addition, an innovative well workover cantilever system commissioned on a Large Class SESV in 2017 allows GMS to increase the well intervention activities carried out from the vessel and to supplant higher cost non-propelled drilling rigs.

Gulf Marine Services PLC's Legal Entity Identifier is 213800IGS2QE89SAJF77

www.gmsuae.com

Disclaimer

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Chief Executive's Review

We were pleased to secure three long-term contracts and two short-term contracts in 2017 in what continued to be a challenging market for our industry. The prolonged downturn affected both our vessel utilisation and charter rates (through deferral of contract awards, discussed further below, and suppressed demand) and is reflected in significantly reduced profitability reported by GMS for 2017. A more stable oil price environment is welcomed and it is encouraging to see increasing levels of enquiries and tender activity for our services in the Middle East and Europe.

Group financial performance

Revenue for the year was US$ 112.9 million (2016: US$ 179.4 million) and adjusted EBITDA was US$ 58.5 million (2016: US$ 106.8 million). The Group's continued focus on cost management helped to deliver an adjusted EBITDA margin of 52% (2016: 60%). Although the Company is reporting a statutory loss for the year of US$ 18.2 million (2016: net profit of US$ 29.4 million), the underlying performance after adjusting items, was a net profit for the year of US$ 4.8 million (2016: US$ 50.7 million).

During the year we made certain amendments to our bank facility agreement that have provided the Group with increased liquidity and financial flexibility (further details can be found in the Financial Review). We were pleased to have the full support of our banking partners through this process and appreciate their confidence in our business.

Fleet utilisation and order book

Utilisation of our core fleet of 13 SESVs[1] was 61% in the year (2016: 70%), delivering an improvement of 13 percentage points on Q4 2016. Demand has been relatively good for the Large Class and Mid-Size Class vessels in the current market, with both classes achieving utilisation above 70% for 2017 (Small Class vessel utilisation was 53%). This has been a validation of the investment in these two vessel classes through our new build programme, and it is reassuring to see this demand continuing, with contracts in place for six of the seven vessels for charters from Q2 2018 onwards.

While the extended tender processes and delayed contract awards we discussed in our Interim Results are continuing to be experienced, we have some satisfaction in having secured three new long-term contracts in the year: a 36-month charter for a Mid-Size Class vessel in the MENA region, and two charters for Large Class vessels totalling 41 months in Europe. Two eight-month charters for Large and Mid-Size Class vessels were also secured in the MENA region. It was particularly pleasing to be awarded a 16-month contract extension for a Small Class vessel in the MENA region in early 2018 by one of our longest standing clients. These charter awards, which include option periods, represent in excess of US$ 150 million of work for the Group.

The secured backlog is US$ 160.6 million (including options) as at 1 March 2018. We are encouraged by how the Large and Mid-Size Class vessels are performing and are seeing utilisation for these trending upwards. As demand continues to recover, particularly in the MENA region, we would then expect to see a return to higher levels of utilisation for our Small Class vessels over time. The Board's view for 2018 trading remains unchanged, with a gradual recovery in market conditions expected to be reflected in an improvement over our 2017 results.

Operations

We achieved an excellent safety performance in 2017, with a total recordable injury rate of zero (2016: 0.20) and zero lost time injuries (2016: one lost time injury). The total number of man hours worked was 4.5 million in 2017 (2016: 6.0 million man hours). Health, safety and the environment continues to be a top priority.

In 2017 we rationalised our fleet by selling our two non-core anchor handling tugs and returning a leased vessel to its owner. We conducted a full impairment review of our fleet during the year, which resulted in a previously announced impairment charge of US$ 7.3 million on a 35-year-old vessel being recorded in the income statement. Our core SESV fleet now consists of 13 vessels, with an average age of just seven years. This makes our fleet one of the youngest in the industry, which benefits us in the current market environment as clients are expressing a preference for modern tonnage in most of the major tenders.

As our new build programme is now complete, we have scaled down the number of construction personnel at GMS substantially, whilst still retaining a small complement of staff with the necessary key technical expertise to support ongoing vessel modification and maintenance projects. Our off-hire vessels are able to be kept, at a relatively low cost, in operational readiness for rapid deployment as new charters are secured.

I would like to thank everyone at GMS for their hard work during the year. We once again achieved a very low level (less than 1%) of technical and operational downtime for our chartered vessels and this is a credit to our highly skilled and dedicated workforce.

Expansion of services

We continually seek to enhance the capability of our vessels and the services we provide so we can deliver the highest quality cost-effective offshore support solutions to our clients.

In 2017 we expanded our well services capabilities through the development of a cantilever system for our Large Class SESVs. The combination of a self-propelled jackup vessel with a removable cantilever and workover unit is a world-first that allows our vessel to supplant higher cost non-propelled drilling rigs on well workover projects. The system was installed on GMS Evolution, which became fully operational during the year and approval of its Safety Case for well operations has been received from the UK Health and Safety Executive. We are encouraged by our clients' interest in this cantilever system, which will become available following completion of GMS Evolution's long-term contract that commences in Q2 this year.

During the year we also designed and developed an innovative crew transfer system that was an important element in the successful award of a renewable energy contract. The transfer system is a retractable access tower fitted to our Large Class SESV GMS Endeavour, which is providing accommodation for our client's personnel at a wind farm project. The tower enables the movement of personnel to and from transfer vessels while they are working at various satellite locations; so our clients benefit from a safer and more time-efficient method of boarding their personnel than was previously available to them.

Market commentary

Middle East

We are seeing increasing levels of both enquiries and tender activity for all our vessel classes in the Middle East, although the conversion of certain tenders into contracts continues to be a protracted process. Demand for our SESVs in Saudi Arabia has risen and we expanded our operational base there during the year to support our increased activities in the country. The majority of contract opportunities in the region over the past few years have been shorter term and originated from EPC contractors, so it is now reassuring to see our NOC clients returning to the market with long-term charter requirements for work that was previously curtailed.

Europe

While demand in the oil and gas sector in Europe continued to be subdued in 2017, we have been encouraged by the ongoing development of the offshore renewables industry in Europe, where we secured two long-term contracts during the year. We anticipate there will be more opportunities for GMS as this sector develops. Our SESVs provide a stable accommodation hub for our clients' personnel working on wind farm installations where the sea and weather conditions are inherently rough. As wind farm projects are now being located further offshore, frequent personnel transfers to and from the shore have become impractical. Our vessels are ideally suited to supporting these projects as they can remain in-field throughout the project and can move rapidly between locations using their own propulsion according to our clients' operational needs.

Rest of World

We are continuing to actively promote the benefits of our SESVs to potential clients as we believe there will be suitable opportunities in the mid to longer-term for GMS in regions outside our current core markets.

Dividend

No dividend is to be paid for 2017. The Board believes the cash generated by the business is better utilised for the reduction of bank debt at this time. The Board recognises shareholder priorities and dividend payments will be resumed as soon as reasonable financial prudence allows.

Outlook

We would expect the improving oil price environment to have a positive influence on clients' activity levels in our markets. While the timing of contract awards is inevitably linked to our clients' own operational programme, we believe demand for our vessels will continue to improve, with utilisation expected to increase ahead of day rates. The Group will remain focused on maximising utilisation whilst managing costs appropriately, and deleveraging will continue to be a priority.

I am confident that with our modern fleet, industry-leading operational expertise and technological capability we are well-placed to capitalise on a recovering market.

Duncan Anderson
Chief Executive Officer
26 March 2018

Financial Review

US$ million	**2017**	2016
Revenue	**112.9**	179.4
Gross profit	**36.0**	74.3
Adjusted gross profit*	**43.3**	95.6
Adjusted EBITDA*	**58.5**	106.8
(Loss)/profit for the year	**(18.2)**	29.4
Adjusted net profit*	**4.8**	50.7
Diluted (loss)/earnings per share (US cents)	**(5.31)**	8.34
Adjusted diluted earnings per share (US cents)*	**1.26**	14.35
Final dividend per share (pence)	**Nil**	1.20

** Alternative performance measure. Refer to note 17 for further details and definitions.*

Overview

The Group's results for 2017 reflect the continued challenges within the oil and gas industry. Revenue for the year was lower at US$ 112.9 million (2016: US$ 179.4 million) with adjusted EBITDA of US$ 58.5 million (2016: US$ 106.8 million). The decrease in revenue reflects the deferral of certain contracts in 2017, along with a reduction in utilisation levels and overall lower charter day rates. Our continued focus on cost management helped achieve an adjusted EBITDA margin of 52% (2016: 60%). Adjusted net profit reduced to US$ 4.8 million (2016: US$ 50.7 million) and adjusted diluted EPS was 1.26 cents (2016: 14.35 cents). The loss for the year of US$ 18.2 million (2016: net profit of US$ 29.4 million) includes a non-cash impairment charge of US$ 7.3 million on a 35-year old vessel (Naashi), and the expensing of US$ 15.6 million of debt modification costs with US$ 9.7 million of these costs representing the expensing of unamortised costs paid in previous years relating to the former bank facility. The loss incurred in 2017 reflects the first full year of trading in this more challenging market environment, with the comparative results having the benefit of the unwinding of contracts secured prior to the market downturn.

The Group continues to generate positive operating cash flows. The total capital expenditure for 2017 was US$ 29.7 million (2016: US$ 106.0

million). This was primarily invested on the completion of the Large Class vessel GMS Evolution including the new well intervention cantilever system (which was commissioned in Q3 2017). The Group has now concluded the new build programme, commenced in 2014, and we currently expect no significant capital expenditure in 2018 and beyond.

The Group amended its bank facilities in 2017 to increase liquidity and financial flexibility. The net bank debt level (total bank borrowings less cash) was US$ 372.8 million at the year end (2016: US$ 373.5 million).

We continued our emphasis on maintaining a stable financial structure. Dividend payments have been suspended while we focus on reducing our bank debt. We will continue to manage our costs appropriately with cash conservation and deleveraging being key priorities.

The following sections discuss the Group's adjusted results as the Directors consider that they provide a useful indicator of underlying performance. The adjusting items are discussed below in this review and a reconciliation between the adjusted and statutory results is contained in note 2. It is noted that the 2016 comparative figures presented reflect better trading levels compared to more recently as a significant portion of revenue in 2016 (H1 2016 in particular) was derived from contracts that had been signed prior to the market downturn and lower oil prices.

Revenue and segmental profit

Revenue decreased by 37% in 2017 to US$ 112.9 million (2016: US$ 179.4 million). The decrease in revenue primarily reflects the reduction in the core SESV fleet utilisation to 61% (2016: 70%) and overall lower charter day rates during the year.

During the year 70% of total Group revenue was derived from customers located in the MENA region (2016: 74%) while the remaining 30% of revenue was earned from customers in Europe (2016: 26%). We diversified our revenue mix within the MENA region in 2017 with 53% of revenue being earned in Saudi Arabia, 25% earned in the UAE and 22% earned in Qatar (2016: 82% in the UAE, 11% in Qatar, 7% in Saudi Arabia). Within Europe in 2017 49% of revenue was derived in the UK, 41% in the Netherlands and 10% in the rest of Europe (2016: 53% in the UK, 36% in the Netherlands, 11% in the rest of Europe).

The table below shows the contribution to revenue and segment adjusted gross profit or loss (being gross profit excluding depreciation, amortisation and impairment) made by each vessel class during the year. The Large Class vessels segment again made the largest contribution to Group revenue. The composition of the Other vessels segment, which are non-core assets, was amended during the year following the sale of two anchor handling tugs, and the reclassification of the vessel Naashi from Small Class vessels to Other vessels following its impairment (comparative figures have also been adjusted to reflect this).

Vessel Class	Revenue		Segment adjusted Gross Profit / (loss)*	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Small Class vessels	**35,337**	69,704	**22,024**	51,118
Mid-Size Class vessels	**34,990**	32,959	**22,800**	18,041
Large Class vessels	**42,549**	68,701	**29,074**	53,202
Other vessels	**5**	8,046	**(113)**	4,614
Total	**112,881**	179,410	**73,785**	126,975

Cost of sales and general and administrative expenses

We maintained our focus on cost management throughout 2017. We delivered on our annualised cash cost saving targets previously announced in 2016, realising the full benefits from headcount reductions and efficiencies within our supply chain and operations that were implemented from mid-2016.

Cost of sales, excluding impairment charges, decreased by 17% to US$ 69.6 million (2016: US$ 83.8 million). Cost of sales reduced less than the decrease in revenue, as vessels that were 'warm stacked' between contracts at our own yard still incur certain operating costs to be ready for rapid redeployment. These warm stacking costs, of approximately US$ 2,000 per day, are significantly lower than those of peers who use third party facilities.

Cost of sales for the year on a cash basis (excluding depreciation, amortisation, impairment and LTIP charges) reduced by 25% to US$ 38.9 million (2016: US$ 52.0 million) primarily reflecting the reduction in utilisation rate of the core SESV fleet together with the achievement of operational efficiencies in the year. There was a small reduction in cost of sales on a cash basis (excluding depreciation, amortisation, impairment and LTIP charges) as a percentage of revenue, which decreased from 36% in H2 2016 to 34% in 2017.

General and administrative expenses required to support our level of operations in 2017 were US$ 16.7 million (2016: US$ 21.6 million), a reduction of 23% on 2016. We would expect general and administrative expenses to be at a higher level going forward as operating levels increase. Certain costs previously capitalised through our new build programme activity will now also be expensed and there will be increased costs arising from the expansion of our operations in both Saudi Arabia and Europe.

During the year the Group undertook an impairment assessment of its entire fleet. At the 2017 interim results an impairment loss of US$ 7.3 million was identified on the Group's oldest SESV (Naashi) as the outlook for it had deteriorated due to its age in the prevailing market conditions. The non-cash impairment charge was recognised in cost of sales in the statement of comprehensive income. There were no other impairments required on the Group's assets.

Adjusted EBITDA

Adjusted EBITDA for the year was US$ 58.5 million (2016: US$ 106.8 million) primarily reflecting the reduction in revenue through a lower level of utilisation across the core SESV fleet. The Group's adjusted EBITDA margin in 2017 was 52% (2016: 60%) with the reduction in revenue contribution being partly offset through ongoing cost management initiatives.

Finance costs and foreign exchange

Net finance costs in 2017 were US$ 38.9 million (2016: US$ 20.1 million). US$ 15.6 million of the increase in finance costs arose from the expensing of costs incurred of US$ 14.2 million following the debt modification in December 2017 (with US$ 8.3 million of these costs representing the expensing of unamortised costs relating to the former bank facility), and the expensing of unamortised commitment fees of US$ 1.4 million which relates to the voluntary early cancellation of an undrawn US$ 95.0 million capex loan facility in June 2017. Bank finance expenses increased in 2017 as the LIBOR rate increased and the cost of borrowing from banks is based on a variable rate dependent on net leverage levels. The Group is currently paying an interest rate of approximately 7% on its bank borrowings.

During the year US$ 3.3 million (2016: US$ 2.4 million) of finance costs were capitalised as part of the new build programme as directly attributable costs.

Following the return of a previously leased Small Class vessel to its owner in August 2017, at the end of its five-year lease term, the Group holds no vessels under leases. Net borrowings reduced by US$ 40.1 million as a result.

In 2017 there was a net foreign exchange gain of US$ 1.9 million (2016: loss of US$ 1.0 million) arising mainly from the movement in foreign exchange rates, with the Pound Sterling strengthening against the US Dollar during the year.

Taxation
The net tax credit for the year was US$ 0.2 million (2016: tax charge of US$ 1.4 million). The net tax credit in 2017 includes a deferred tax credit of US$ 0.7 million arising from unused trading losses, and a tax refund of US$ 2.4 million arising from a change in UK legislation. Excluding these tax credits, there was an increase in overall tax charge mainly resulting from a higher proportion of Group revenue being derived in Saudi Arabia and Qatar which attract corporate tax. The underlying tax charge relating to 2017 trading was US$ 2.9 million.

Earnings
The loss for the year of US$ 18.2 million (2016: net profit of US$ 29.4 million) includes the non-cash impairment charge of US$ 7.3 million described above, and the expensing of US$ 15.6 million of debt modification costs with US$ 9.7 million of these costs representing the expensing of unamortised costs paid in previous years relating to the former bank facility.

Adjusted net profit decreased in 2017 to US$ 4.8 million (2016: US$ 50.7 million) mainly arising from the reduction in revenue in the year. The fully diluted adjusted earnings per share (DEPS) for the year decreased to 1.26 cents (2016: 14.35 cents). Adjusted DEPS is calculated based on adjusted net profit and a reconciliation between the adjusted net profit and statutory loss, is provided in note 2.

Dividends
As discussed in the Chief Executive's Review, dividend payments have been suspended while we focus on reducing our bank debt.

Capital expenditure
The Group's capital expenditure during the year was US$ 29.7 million (2016: US$ 106.0 million). The main area of investment was the completion of the final new build vessel Evolution including the new well intervention cantilever system which was commissioned in Q3 2017. No significant capital expenditure is currently planned in 2018 and beyond with ongoing planned capital expenditure limited to necessary fleet maintenance. Any further capital expenditure would relate to contract specific requirements that may be required as new work is secured.

Cash flow and liquidity
The Group's net cash flow from operating activities was a net inflow of US$ 56.3 million in 2017 (2016: net inflow of US$ 126.3 million) with the reduction in cash inflow reflecting the decrease in revenue in the year. The net cash outflow from investing activities for 2017 reduced to US$ 21.7 million (2016: net outflow of US$ 149.2 million) as new build construction activities ceased. The Group's net cash flow relating to financing activities was an outflow of US$ 57.2 million (2016: net inflow of US$ 23.7 million) as there were no drawdowns of bank borrowings during the year.

Net bank debt and borrowings

The net bank debt position (total bank borrowings less cash) as at 31 December 2017 was US$ 372.8 million (2016: US$ 373.5 million). The net debt* level reported under IFRS, which includes unamortised loan arrangement fees and finance lease obligations, reduced from US$ 402.1 million in 2016 to US$ 372.8 million at year end. Undrawn committed bank facilities were US$ 50.0 million at year end (2016: US$ 145.0 million) following the voluntary cancellation, described above, of a capex loan facility no longer required.

During 2017 the Group agreed various amendments to its bank facilities to secure increased liquidity and financial flexibility. The amendments include an increase in tenure of the loan facility by two years with maturity revised to 2023, a reduction in scheduled loan repayments by two-thirds in both 2018 and 2019; and a relaxation of certain covenants (as announced on 9 August 2017).

As part of the amendments, certain restrictions on capital expenditure and dividend payments were agreed; as well as establishing a cash sweep mechanism from 2018, that is effective when the net leverage ratio exceeds 4 times EBITDA, where up to 75% of surplus free cash flows (after adjustment for permitted payments and maintenance of a minimum cash balance level) will be applied towards repayment of bank debt. In addition, EBITDA based covenants are now to be calculated on a proforma EBITDA basis (further explanation contained in note 17 to the condensed consolidated financial statements) with the intention to provide a more forward-looking assessment of trading rather than reporting on an historic basis.

At the year end the Group was in full compliance with all its banking covenants and expects to remain so.

Balance sheet

Total current assets at 31 December 2017 were US$ 57.4 million (2016: US$ 85.5 million). This movement is mainly attributable to a decrease in cash and cash equivalents to US$ 39.0 million (2016: US$ 61.6 million) and a decrease in trade and other receivables to US$ 18.5 million (2016: US$ 23.9 million). The reduction in cash balance primarily reflects the lower revenues during the year combined with the capital expenditure incurred on the completion of the new Large Class well intervention cantilever system. Debt repayments and interest expenses paid during the year have also reduced the cash balance.

During the year receivable collection days improved to 56 days (2016: 78 days). As the Group’s customers comprise mainly of NOCs, IOCs and international EPC companies, the credit quality of the outstanding receivables is considered to be good. Payable days outstanding increased to 50 days during the year (2016: 40).

Total current liabilities at 31 December 2017 were US$ 49.8 million (2016: US$ 93.7 million), the principal movement being the decrease in the current portion of obligations under finance leases to nil (2016: US$ 40.1 million) arising from the decision to return the previously leased Small Class vessel to its owner in August 2017, as well as a decrease in the current portion of bank borrowings to US$ 20.3 million (2016: US$ 22.0 million) following the amendments to bank facilities discussed above.

The combined effect of the changes in current assets and current liabilities described above resulted in an increase in the Group's working capital and cash balance to US$ 7.6 million at 31 December 2017 (2016: deficit US$ 8.2 million).

Total non-current assets at 31 December 2017 were US$ 808.4 million (2016: US$ 857.2 million). This decrease is primarily attributable to the US$ 47.9 million decrease in the net book value of property, plant and equipment, arising mainly from the leased Small Class vessel being returned to its owner and the impairment charge on Naashi. Total non-current liabilities at 31 December 2017 were US$ 394.7 million (2016: US$ 404.8 million). This decrease reflects the repayments of bank borrowings during the year.

Equity

Shareholders' equity decreased to US$ 420.7 million at year end from US$ 443.7 million at 31 December 2016. The movement is mainly attributed to the 2016 final dividend of US$ 5.2 million and the loss incurred during the year.

The number of issued ordinary shares in the Company increased to 349,703,973 following the issue of 176,169 shares on 6 July 2017 awarded under the Company's 2014 Long-Term Incentive Plan. No grants of share awards were made in 2017 under the Long-Term Incentive Plan.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In 2017 these comprised of a non-cash impairment charge on one vessel of US$ 7.3 million, the expensing of costs incurred of US$ 14.2 million following the debt modification in December 2017 and the write-off unamortised commitment fees of US$ 1.4 million relating to the cancelled capex loan facility which have been discussed above. In 2016 the adjusting items comprised non-cash impairment charges on the non-core assets and a leased vessel, amounting to US$ 21.3 million. A reconciliation between the adjusted and statutory results is provided in note 2.

John Brown
Chief Financial Officer
26 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Revenue	3	**112,881**	179,410
Cost of sales		**(69,596)**	(83,761)
Impairment charge	6, 7	**(7,327)**	(21,307)
Gross profit		**35,958**	74,342
General and administrative expenses		**(16,721)**	(21,636)
Finance income		**47**	75
Finance expense	4	**(38,960)**	(20,181)
Other income		**75**	88
Loss on disposal of asset		**(575)**	(847)
Foreign exchange gain/(loss), net		**1,856**	(1,023)
(Loss)/Profit for the year before taxation		**(18,320)**	30,818
Taxation credit/(charge) for the year		**167**	(1,377)
(Loss)/Profit for the year		**(18,153)**	29,441
Other comprehensive income/(expense) – items that may be reclassified to profit and loss:			
Exchange differences on translating foreign operations		**46**	(1,378)
Total comprehensive (expense)/income for the year		**(18,107)**	28,063

(Loss)/Profit attributable to:			
Owners of the Company		**(18,565)**	29,509
Non-controlling interests		**412**	(68)
		(18,153)	29,441
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(18,519)**	28,131
Non-controlling interests		**412**	(68)
		(18,107)	28,063
(Loss)/Earnings per share:			
Basic (cents per share)	**5**	**(5.31)**	8.44
Diluted (cents per share)	**5**	**(5.31)**	8.34

All results are derived from continuing operations in each year.

The attached notes 1 to 17 form an integral part of this consolidated financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	**804,500**	852,398
Dry docking expenditure	**7**	**2,711**	4,327
Deferred tax asset		**1,176**	455
Fixed asset prepayments		**-**	66

Total non-current assets		**808,387**	857,246
Current assets			
Trade and other receivables	**8**	**18,493**	23,945
Cash and cash equivalents	**9**	**38,954**	61,575
Total current assets		**57,447**	85,520
Total assets		**865,834**	942,766
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**10**	**57,957**	57,929
Share premium account	**10**	**93,075**	93,075
Restricted reserve		**272**	272
Group restructuring reserve	**11**	**(49,710)**	(49,710)
Share option reserve		**2,465**	1,702
Capital contribution	**12**	**9,177**	9,177
Translation reserve		**(1,969)**	(2,015)
Retained earnings		**309,445**	333,259
Attributable to the Owners of the Company		**420,712**	443,689
Non-controlling interests		**598**	560
Total equity		**421,310**	444,249
Non-current liabilities			
Bank borrowings	**13**	**391,514**	401,599
Provision for employees' end of service benefits		**3,188**	3,181
Deferred tax liability		**13**	13
Total non-current liabilities		**394,715**	404,793
Current liabilities			
Trade and other payables		**24,907**	28,787
Current tax liability		**4,633**	2,832
Bank borrowings	**13**	**20,269**	22,021
Obligations under finance leases		**-**	40,084
Total current liabilities		**49,809**	93,724
Total liabilities		**444,524**	498,517

Total equity and liabilities	**865,834**	942,766

The attached notes 1 to 17 form an integral part of this consolidated financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital US$'000	Share premium account US$'000	Restricted reserve US$'000	Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution US$'000	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
At 1 January 2016	57,929	93,075	272	(49,710)	1,409	9,177	(637)	311,760	423,275	628	423,903
Total comprehensive income	-	-	-	-	-	-	(1,378)	29,509	28,131	(68)	28,063
Share options rights charge	-	-	-	-	293	-	-	-	293	-	293
Dividends paid during the year	-	-	-	-	-	-	-	(8,010)	(8,010)	-	(8,010)
At 1 January 2017	57,929	93,075	272	(49,710)	1,702	9,177	(2,015)	333,259	443,689	560	444,249
Total comprehensive income/(expense)	-	-	-	-	-	-	46	(18,565)	(18,519)	412	(18,107)
Share options rights charge	-	-	-	-	791	-	-	-	791	-	791
Shares issued under LTIP schemes (note 10)	28	-	-	-	(28)	-	-	-	-	-	-
Dividends paid during the year	-	-	-	-	-	-	-	(5,249)	(5,249)	(374)	(5,623)
At 31 December 2017	**57,957**	**93,075**	**272**	**(49,710)**	**2,465**	**9,177**	**(1,969)**	**309,445**	**420,712**	**598**	**421,310**

The attached notes 1 to 17 form an integral part of this consolidated financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	2017	2016
	US$'000	US$'000
Net cash generated from operating activities (note 14)	**56,273**	126,297
Investing activities		
Payments for property, plant and equipment	**(22,822)**	(147,089)
Proceeds from insurance claim	**1,801**	-
Proceeds from disposal of property, plant and equipment	**1,209**	109
Movement in capital advances	**67**	195
Dry docking expenditure incurred	**(2,049)**	(2,594)
Movement in guarantee deposits	**82**	81
Interest received	**47**	75
Net cash used in investing activities	**(21,665)**	(149,223)
Financing activities		
Bank borrowings received	**-**	105,000
Repayment of bank borrowings	**(21,999)**	(44,938)
Payment of issue cost on borrowings	**(2,283)**	(2,700)
Interest paid	**(25,114)**	(22,166)
Payment on obligations under finance lease	**(2,584)**	(3,519)
Dividends paid	**(5,249)**	(8,010)
Net cash (used in)/provided by financing activities	**(57,229)**	23,667
Net (decrease)/increase in cash and cash equivalents	**(22,621)**	741
Cash and cash equivalents at the beginning of the year	**61,575**	60,834
Cash and cash equivalents at the end of the year (note 9)	**38,954**	61,575

Non-cash transactions

Shares issued under LTIP schemes (note 10)	**28**	-
Return of finance leased vessel (note 6)	**(37,500)**	-
Insurance claim receivable (note 6)	**(1,710)**	-

The attached notes 1 to 17 form an integral part of this consolidated financial information.

Notes to the consolidated financial information for the year ended 31 December 2017

1 Basis of preparation

The preliminary announcement does not constitute the Group's statutory accounts for the year ended 31 December 2017, but is derived from those accounts. Statutory accounts for the year ended 31 December 2017 were approved by the Directors on 26 March 2018 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The independent auditor's report on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498 (2) or (3) of the 2006 Companies Act.

The 2017 Annual Report will be posted to shareholders in advance of the Annual General Meeting to be held on 22 May 2018.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs"), this announcement does not itself contain sufficient information to comply with the disclosure aspects of IFRSs.

The consolidated preliminary announcement of the Group has been prepared in accordance with EU Endorsed IFRSs, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities, including derivative instruments, at fair value.

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 working capital facility of US$ 50 million which remained undrawn at 26 March 2018.

On the basis of their assessment of the Group's financial position, and after reviewing its cash flow forecasts for a period of not less than 12 months from the date of approval of the Annual Report, the Group's Directors have a reasonable expectation that, taking into account reasonably possible changes in trading performance and appropriate mitigating actions, 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 consolidated financial statements.

Significant accounting policies

The significant accounting policies and methods of computation adopted in the preparation of this financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017 none of which had a material impact on the results or financial position of the Group.

2 Presentation of adjusted non-GAAP results

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

	Year ended 31 December 2017			Year ended 31 December 2016		
	Adjusted non-GAAP results	**Adjusting items**	**Statutory total**	Adjusted non-GAAP results	Adjusting items	Statutory total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Revenue	**112,881**	**-**	**112,881**	179,410	-	179,410
Cost of sales						
-Operating expenses	**(39,096)**	**-**	**(39,096)**	(52,435)	-	(52,435)

-Depreciation and amortisation	**(30,500)**	**-**	**(30,500)**	(31,326)	-	(31,326)
-Impairment charge*	**-**	**(7,327)**	**(7,327)**	-	(21,307)	(21,307)
Gross profit	**43,285**	**(7,327)**	**35,958**	95,649	(21,307)	74,342
General and administrative						
-Depreciation	**(1,391)**	**-**	**(1,391)**	(1,451)	-	(1,451)
-Other administrative costs	**(15,330)**	**-**	**(15,330)**	(20,185)	-	(20,185)
Operating profit	**26,564**	**(7,327)**	**19,237**	74,013	(21,307)	52,706
Finance income	**47**	**-**	**47**	75	-	75
Finance expense	**(23,327)**	**-**	**(23,327)**	(20,181)	-	(20,181)
Expensing of loan arrangement and facility fees**	**-**	**(11,021)**	**(11,021)**	-	-	-
Costs to acquire new bank facility***	**-**	**(5,891)**	**(5,891)**	-	-	-
Fair value gain on financial liabilities held at amortised cost****	**-**	**1,279**	**1,279**	-	-	-
Other income	**75**	**-**	**75**	88	-	88
Loss on disposal of asset	**(575)**	**-**	**(575)**	(847)	-	(847)
Foreign exchange gain/(loss), net	**1,856**	**-**	**1,856**	(1,023)	-	(1,023)
Profit/(Loss) before taxation	**4,640**	**(22,960)**	**(18,320)**	52,125	(21,307)	30,818
Taxation credit/(charge)	**167**	**-**	**167**	(1,377)	-	(1,377)
Profit/(Loss)	**4,807**	**(22,960)**	**(18,153)**	50,748	(21,307)	29,441
Profit/(Loss) attributable to						
Owners of the Company	**4,395**	**(22,960)**	**(18,565)**	50,816	(21,307)	29,509
Non-controlling interests	**412**	**-**	**412**	(68)	-	(68)
Earnings/(Loss) per share	**1.26**	**(6.57)**	**(5.31)**	14.54	(6.10)	8.44
Supplementary non-statutory information						
Operating profit	**26,564**	**(7,327)**	**19,237**	74,013	(21,307)	52,706
Add: Depreciation and amortisation charges	**31,891**	**-**	**31,891**	32,777	-	32,777
Non-GAAP EBITDA	**58,455**	**(7,327)**	**51,128**	106,790	(21,307)	85,483

** The impairment charge on certain vessels has been added back to operating profit to arrive at adjusted profit for the year.*

*** The expensing of unamortised loan arrangement fees (US$ 9.6 million) following the extinguishment of old facility in December 2017 and the expensing of unamortised commitment fees (US$ 1.4 million) for a capex loan facility that was cancelled in June 2017, have been added back to profit before taxation to arrive at adjusted profit for the year.*

**** Costs incurred to acquire a new bank facility have been added back to profit before taxation to arrive at adjusted profit for the year.*

***** The gain on initial recognition of new financial liabilities at fair value has been added back to profit before taxation to arrive at adjusted profit for the year.*

3 Segment reporting

Management have identified that the Directors and senior management team are the chief operating decision makers in accordance with the requirements of IFRS 8 'Operating Segments'. Segment performance is assessed based upon adjusted gross profit, which represents gross profit before depreciation and amortisation and loss on impairment of assets. The reportable segments have been identified by management based on the size and type of asset in operation.

The operating and reportable segments of the Group are (i) Small Class vessels which includes the Kamikaze, Kikuyu, Kawawa, Kudeta, Keloa, Kinoa and Pepper vessels (ii) Mid-Size Class vessels which includes the Shamal, Scirocco and Sharqi vessels, (iii) Large Class vessels which includes the Endeavour, Endurance, Enterprise and Evolution vessels, and (iv) Other vessels, considered non-core assets, which includes one accommodation barge (Khawla) and one 35-year old vessel (Naashi) which do not form part of the Small, Mid-Size or Large Class vessels segments. The composition of the Other vessels segment, which are non-core assets, was amended during the year following the sale of two anchor handling tugs, and the reclassification of the vessel Naashi from Small Class vessels to Other vessels following its impairment (comparative figures have also been adjusted to reflect this).

All of these operating segments earn revenue related to the hiring of vessels and related services including charter hire income, messing and accommodation services, personnel hire and hire of equipment. The accounting policies of the operating segments are the same as the Group's accounting policies.

	Revenue		**Segment adjusted gross profit***	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Small Class vessels	**35,337**	69,704	**22,024**	51,118
Mid-Size Class vessels	**34,990**	32,959	**22,800**	18,041
Large Class vessels	**42,549**	68,701	**29,074**	53,202
Other vessels	**5**	8,046	**(113)**	4,614
	112,881	179,410	**73,785**	126,975
Less:				
Depreciation charged to cost of sales			**(26,987)**	(27,151)
Amortisation charged to cost of sales			**(3,513)**	(4,175)

Impairment charge	**(7,327)**	(21,307)
Gross profit	**35,958**	74,342
General and Administrative expenses	**(16,721)**	(21,636)
Finance income	**47**	75
Finance expense	**(38,960)**	(20,181)
Other income	**75**	88
Loss on disposal of asset	**(575)**	(847)
Foreign exchange gain/(loss), net	**1,856**	(1,023)
(Loss)/Profit before taxation	**(18,320)**	30,818

*Alternative Performance Measure – see note 17.

The total revenue from reportable segments which comprises the Small, Mid-Size and Large Class vessels is US$ 112.9 million (2016: US$ 171.4 million). The Other vessels segment does not constitute a reportable segment per IFRS 8 Operating Segments.

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

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the chief operating decision makers on a segmental basis and are therefore not disclosed.

Information about major customers

Certain customers individually accounted for greater than 10% of the Group's revenue. During the year, seven customers (2016: three) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by year, were US$ 18.35 million (2016: US$ 51.46 million), US$ 17.05 million (2016: US$ 40.46 million), US$ 15.61 million (2016: US$ 24.45 million), US$ 14.73 million (2016: US$ 16.71 million), US$ 13.84 million (2016: US$ 14.4 million), US$ 13.81 million (2016: US$ 9.58 million) and US$ 13.16 million (2016: US$ 8.23 million). The revenue from these customers is attributable to the Large Class vessels, Mid-Size Class vessels and Small Class vessels reportable segments.

Geographical segments

Revenue by geographical segment is based on the geographical location of the customer as shown below.

	2017 US$'000	2016 US$'000
Saudi Arabia	**41,830**	8,858
United Arab Emirates	**19,542**	109,740
Qatar	**18,119**	14,401
Total - Middle East and North Africa	**79,491**	132,999
United Kingdom	**16,338**	24,455
Netherlands	**13,602**	16,708
Rest of Europe	**3,450**	5,248
Total - Europe	**33,390**	46,411
Worldwide Total	**112,881**	179,410

4 Finance expenses

	2017 US$'000	2016 US$'000
Interest on bank borrowings	**22,174**	15,126
Interest on finance leases	**3,001**	6,362
Write-off of unamortised loan facility fees*	**11,021**	-
Costs to acquire new bank facility**	**5,891**	-

Fair value gain on financial liabilities held at amortised cost***	**(1,279)**	-
Amortisation of issue costs and commitment fees	**1,474**	1,143
Finance expense	**42,282**	22,631
Less: Amounts included in the cost of qualifying assets (note 6)	**(3,322)**	(2,450)
	38,960	20,181

** Triggered by the extinguishment of debt in December 2017 and cancellation of the capex loan facility in June 2017 (note 13).*
*** Costs incurred to acquire new loan facility including arrangement, advisory and legal fees.*
**** Fair value gain on recognition of new financial liability (note 13).*

5 Earnings per share

	2017 US$	2016 US$
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share being (loss)/profit for the year attributable to owners of the parent (US$'000)	**(18,565)**	29,509
Earnings for the purpose of adjusted basic and diluted earnings per share (US$'000) (note 2)	**4,395**	50,816
Weighted average number of shares ('000)	**349,614**	349,528
Weighted average diluted number of shares in issue ('000)	**349,614**	354,012
Basic (loss)/earnings per share (cents)	**(5.31)**	8.44
Diluted (loss)/earnings per share (cents)	**(5.31)**	8.34

Adjusted earnings per share (cents)	**1.26**	14.54
Adjusted diluted earnings per share (cents)	**1.26**	14.35

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

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 the impairment charge on certain vessels (US$ 7.3 million), written-off unamortised loan arrangement fees (US$ 9.6 million), written-off unamortised loan facility fees (US$ 1.4 million), costs to acquire a new bank facility (US$ 5.9 million) and fair value gain on financial liabilities held at amortised cost (US$ 1.3 million) which have been recognised in the statement of comprehensive income. The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of share options outstanding during the year. As the Group incurred a loss in 2017, diluted loss per share is the same as loss per share, as the effect of share options is anti-dilutive.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (note 2) attributable to equity holders of the Company.

6 Property, plant and equipment

	Vessels US$'000	Capital work-in-progress US$'000	Land, building and improvements US$'000	Vessel Spares, fittings and other equipment US$'000	Others US$'000	Total US$'000
Cost						
At 1 January 2016	826,101	81,436	8,719	9,889	4,138	930,283
Additions	1,280	104,640	-	71	35	106,026
Transfers	70,639	(77,737)	1,580	5,025	493	-

Disposals	(1,130)	-	-	(21)	(121)	(1,272)
At 1 January 2017	896,890	108,339	10,299	14,964	4,545	1,035,037
Additions	-	29,723	-	-	-	29,723
Transfers	92,374	(127,664)	126	35,087	77	-
Disposals*	(75,780)	-	-	(1,616)	(973)	(78,369)
Other**	(3,511)	-	-	-	-	(3,511)
At 31 December 2017	**909,973**	**10,398**	**10,425**	**48,435**	**3,649**	**982,880**

**Disposals include the costs of disposal of vessel Kinoa which was returned to its lessor in August 2017 having previously been held under a finance lease.*
*** This relates to the insurance claim pertaining to the construction of a Mid-Size Class vessel that was delivered in March 2016. It comprises the insurance claim proceeds received during the year of US$ 1.8 million and insurance claim receivable of US$ 1.7 million (note 8).*

	Vessels US$'000	**Capital work-in-progress US$'000**	**Land, building and improvements US$'000**	**Vessel Spares, fittings and other equipment US$'000**	**Others US$'000**	**Total US$'000**
Accumulated depreciation						
At 1 January 2016	119,949	-	4,650	6,472	2,951	134,022
Eliminated on disposal of assets	(191)	-	-	(4)	(121)	(316)
Depreciation expense	26,216	-	579	774	658	28,227
Impairment charge	20,621	-	-	85	-	20,706
At 1 January 2017	166,595	-	5,229	7,327	3,488	182,639
Eliminated on disposal of assets	(37,320)	-	-	(1,607)	(973)	(39,900)
Depreciation expense	25,410	-	965	1,417	586	28,378

Impairment charge	7,220	-	-	43	-	7,263
At 31 December 2017	**161,905**	**-**	**6,194**	**7,180**	**3,101**	**178,380**
Carrying amount **At 31 December 2017**	**748,068**	**10,398**	**4,231**	**41,255**	**548**	**804,500**
At 31 December 2016	730,295	108,339	5,070	7,637	1,057	852,398

The carrying amount of vessels held under finance leases was nil (2016: US$ 38.4 million) as the Group returned the formerly leased vessel Kinoa to its lessor in August 2017. The Group also derecognised a related lease liability of US$ 37.5 million resulting in a loss on disposal of US$ 0.7 million.

Depreciation amounting to US$ 27.0 million (2016: US$ 27.2 million) has been allocated to cost of sales. The balance of the depreciation charge is included in general and administrative expenses.

Included in additions to the vessels under construction is US$ 3.3 million (2016: US$ 2.4 million) in respect of capitalised borrowing costs. The capitalisation rate used to determine this figure was 3.37% (2016: 3.99%) based on specific borrowing rates.

Certain vessels, with a total net book value of US$ 748.1 million (2016: US$ 566.6 million), have been mortgaged as security for the loans extended by the Group's banking syndicate (note 13).

Impairment Assessment

The Group undertook a full impairment review of its fixed assets during the year. The Group recognised an impairment charge of US$ 7.3 million on a 35-year old vessel to reduce its carrying amount to its estimated recoverable amount of US$ 3.0 million. The outlook for a vessel of that age in securing work in the current environment in the medium term has deteriorated with clients having a tendency to elect for more modern tonnage. The impairment charge has been expensed in the statement of comprehensive income through cost of sales.

For the purpose of the impairment assessment, each vessel is considered a separate cash-generating unit ("CGU") and management has estimated the recoverable amounts of its vessels based on their value in use. The cash flow projections used in determining the value in use of each CGU were based on forecasts prepared by management taking into account past experience. The average compound annual growth rates ("CAGR") in revenue for the CGUs were assumed as an average upward revision of 10.0% (2016: 6.8%) between 2018 and 2022, remaining flat thereafter. The CAGR is dependent on the average utilisation and charter rate of the vessels.

The risk adjusted cash flows have been discounted using a real pre-tax discount rate of 11.5% (2016: 11.5%) which was estimated taking into consideration the weighted average cost of capital of a portfolio of peer group companies with similar assets.

7 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2017	2016
	US$'000	US$'000
At 1 January	**4,327**	6,510
Expenditure incurred during the year	**2,049**	2,594
Disposals	**(88)**	-
Amortised during the year	**(3,513)**	(4,176)
Impairment charge (note 6)	**(64)**	(601)
At 31 December	**2,711**	4,327

Amortisation for the year has been charged to cost of sales.

8 Trade and other receivables

	2017	2016
	US$'000	US$'000
Trade receivables (net)	**12,257**	19,289
Accrued income	**1,469**	1,787
Prepayments and deposits	**2,343**	2,349

Insurance receivable (note 6)	**1,792**	-
Advances to suppliers	**123**	128
VAT receivables	**186**	-
Other receivables	**253**	322
Due from related parties	**70**	70
	18,493	23,945

9 Cash and cash equivalents

	2017 **US$'000**	2016 US$'000
Interest bearing		
Held in UAE banks	**7,691**	11,671
Non-interest bearing		
Held in UAE banks	**8,354**	43,265
Held in banks outside UAE	**23,515**	7,326
Total cash at bank and in hand	**39,560**	62,262
Presented as:		
Restricted cash included in trade and other receivables	**606**	687
Cash and cash equivalents	**38,954**	61,575
Total	**39,560**	62,262

10 Share capital

The Company was incorporated on 24 January 2014 with a share capital of 300 million shares at a par value of £1 each. On 5 February 2014, as part of a Group restructuring, the Company undertook a capital reduction by solvency statement, in accordance with s643 of the Companies Act 2006. Accordingly, the nominal value of the authorised and issued ordinary shares was reduced from £1 to 10p.

On 19 March 2014, the Company completed its initial public offering (IPO) on the London Stock Exchange. A total of 49,527,804 shares with a par value of 10 pence per share were issued at a price of 135 pence (US$ 2.24) per share.

On 6 July 2017, the Company issued a total of 176,169 ordinary shares at a par value of 10 pence per share in respect of the Company's 2014 long-term incentive plan.

The movement in issued share capital and share premium is provided below.

The share capital of Gulf Marine Services PLC was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Total US$'000
At 31 December 2017			
Authorised Share Capital	**349,704**	**57,957**	**57,957**
Issued and fully paid	**349,704**	**57,957**	**57,957**
At 31 December 2016			
Authorised Share Capital	349,528	57,929	57,929
Issued and fully paid	349,528	57,929	57,929

Issued share capital and share premium account movement for the year were as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Share premium account US$'000	Total US$'000
At 31 December 2016	349,528	57,929	93,075	151,004
Shares issued under LTIP	176	28	-	28

schemes				
At 31 December 2017	**349,704**	**57,957**	**93,075**	**151,032**

11 Group restructuring reserve

The group restructuring reserve arises on consolidation under the pooling of interests (merger accounting) method used for the group restructuring. Under this method, the Group is treated as a continuation of GMS Global Commercial Investments LLC (the predecessor parent company) and its subsidiaries. At the date the Company became the new parent company of the Group via a share-for-share exchange, the difference between the share capital of GMS Global Commercial Investments LLC and the Company, amounting to US$ 49.7 million, was recorded in the books of Gulf Marine Services PLC as a group restructuring reserve. This reserve is non-distributable.

12 Capital contribution

The capital contribution reserve is as follows:

	2017	2016
	US$'000	US$'000
At 31 December	**9,177**	9,177

During 2013 US$ 7.8 million was transferred from share appreciation rights payable to capital contribution as, effective 1 January 2013, the shareholders have assumed the obligation to settle the share appreciation rights. An additional charge in respect of this scheme of US$ 1.4 million was made in 2014. The total balance of US$ 9.2 million is not available for distribution.

13 Bank borrowings

Secured borrowings at amortised cost

	2017	2016
	US$'000	US$'000
Term loans	**411,783**	435,061

Less: Unamortised issue costs	**-**	(11,441)
	411,783	423,620

Bank borrowings are presented in the consolidated statement of financial position as follows:

	2017 **US$'000**	2016 US$'000
Non-current portion	**391,514**	401,599
Current portion	**20,269**	22,021
	411,783	423,620

In December 2017, the Group entered into a new bank loan facility. The principal terms of the new bank loan facility are as follows:

- The facility is repayable with final maturity in December 2023 (2016: November 2021);
- The revolving working capital facility amounts to US$ 50.0 million. The total facility remained undrawn at 31 December 2017 and is available for drawdown until December 2023 (2016: US$ 50.0 million available for drawdown until December 2017);
- The capex loan facility which had an undrawn balance of US$ 95.0 million was cancelled in June 2017 (2016: US$ 95.0 million available for drawdown until December 2017);
- The facility remains secured by mortgages over certain Group vessels, with a net book value at 31 December 2017 of US$ 748.1 million (2016: US$ 566.6 million).
- The facility is subject to certain financial covenants including; Finance Service Cover, Interest Cover, Net Leverage Ratio, and Security Cover (loan to value). The Group remained in full compliance with these covenants at year end.

A fair value gain of US$ 1.3 million (2016: nil) has been recognised in relation to the extinguishment of the old facility and recognition of the new bank facility at its initial fair value. The fair values of the bank borrowings were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, using appropriate market interest rates. These represent level 3 value measurements as defined by the fair value hierarchy according to IFRS 13.

	Outstanding amount			**Unused**		
	Current	**Non-current**	**Total**	**facility**	**Security**	**Maturity**
	US$'000	**US$'000**	**US$'000**	**US$'000**		
31 December 2017:						
Term loan	**20,269**	**391,514**	**411,783**	**-**	Secured	December 2023
Working capital facility	**-**	**-**	**-**	**50,000**	Secured	December 2023
Unamortised issue costs	**-**	**-**	**-**	**-**		
	20,269	**391,514**	**411,783**	**50,000**		
31 December 2016:						
Term loan	18,750	337,500	356,250	-	Secured	November 2021
Working capital facility	-	-	-	50,000	Secured	November 2021
Capex facility	4,584	74,227	78,811	95,000	Secured	November 2021
Unamortised issue costs	(1,313)	(10,128)	(11,441)	-		
	22,021	401,599	423,620	145,000		

14 Notes to cash flow statement

	2017	2016
	US$'000	US$'000
Operating activities		
(Loss)/Profit for the year before taxation	**(18,320)**	30,818
Adjustments for:		

Depreciation of property, plant and equipment	**28,378**	28,227
Amortisation of intangibles	**-**	375
Amortisation of dry docking expenditure	**3,513**	4,176
Impairment charge	**7,327**	21,307
End of service benefits charge	**648**	780
End of service benefits paid	**(641)**	(990)
Provision for doubtful debts	**-**	2,287
Recovery of doubtful debts	**(1,367)**	-
Loss on disposal of asset	**575**	847
Share options rights charge	**791**	293
Interest income	**(47)**	(75)
Interest expense	**22,068**	19,199
Write-off of unamortised loan facility fees	**11,021**	-
Costs to acquire new bank facility	**5,891**	-
Fair value gain on financial liabilities held at amortised cost	**(1,279)**	-
Other income	**(75)**	(88)
Amortisation of issue costs	**1,259**	982
Cash flow from operating activities before movement in working capital	**59,742**	108,138
Decrease in trade and other receivables	**8,545**	32,962
Decrease in trade and other payables	**(13,261)**	(12,595)
Cash generated from operations	**55,026**	128,505
Taxation received/(paid)	**1,247**	(2,208)
Net cash generated from operating activities	**56,273**	126,297

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

			Non-Cash Changes					
	1 January 2017	Financing cash flows*	Amortisation of issue cost**	Write-off of issue cost ***	Accrued issue costs for new bank facility****	Fair value gain on financial liabilities*****	Return of finance leased vessel	31 December 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Bank borrowings (note 13)	423,620	(24,282)	1,474	11,021	1,229	(1,279)	-	411,783
Obligations under finance leases	40,084	(2,584)	-	-	-	-	(37,500)	-
Total liabilities from financing activities	463,704	(26,866)	1,474	11,021	1,229	(1,279)	(37,500)	411,783

** The cash flows from bank borrowings and obligations under finance leases make up the net amount of repayment of bank borrowings, payment of issue cost and payment on finance leases in the statement of cash flows.*
*** The amortisation of issue cost includes the amount capitalised as borrowing costs of US$ 0.2 million.*
**** The write-off of issue cost includes the expensing of unamortised commitment fees (US$ 1.4 million) for a capex loan facility that was cancelled in June 2017 and the expensing of unamortised loan arrangement fees (US$ 9.6 million) following the extinguishment of old facility in December 2017 (note 13).*
***** Costs to acquire new loan facility including arrangement, advisory and legal fees, which were accrued as at 31 December 2017.*
****** Fair value gain on recognition of new financial liability (note 13).*

15 General information

Gulf Marine Services PLC ("GMS" or "the Company") is a Company which registered in England and Wales on 24 January 2014. The Company is a public limited company with operations mainly in the Middle East and North Africa, and Europe. The address of the registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registered number of the Company is 08860816.

The Company and its subsidiaries 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 which are capable of operations in the Middle East, South East Asia, West Africa and Europe.

16 Post balance sheet events

There have been no events subsequent to 31 December 2017 for disclosure.

17 Definitions

Below is a list of terms used by the Group:

Alternative Performance Measures (APMs) - An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

APMs are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure. In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the Group.

Adjusted diluted earnings per share - represents the adjusted profit attributable to equity holders of the Company for the period divided 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. The adjusted profit attributable to equity shareholders of the Company is earnings used for the purpose of basic earnings per share adjusted by adding back impairment charges, and finance costs relating to amendments to bank facilities. This measure provides additional information regarding earnings per share attributable to the underlying activities of the business. A reconciliation of this measure is provided in Note 2.

EBITDA - represents Earnings before Interest, Tax, Depreciation and Amortisation, which represents operating profit after adding back depreciation and amortisation. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in Note 2.

Adjusted EBITDA - represents operating profit after adding back depreciation and amortisation and impairment charges. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. A reconciliation of this measure is provided in Note 2.

Adjusted EBITDA margin - represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

Adjusted gross profit - represents gross profit after adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 2.

Segment adjusted gross profit/loss - represents gross profit/loss after adding back depreciation, amortisation and impairment charges. This measure provides additional information on the core profitability of the Group attributable to each reporting segment. A reconciliation of this measure is provided in Note 3.

Adjusted net profit - represents net profit after adding back impairment charges, and finance costs relating to amendments to bank facilities. This measure provides additional information in assessing the Group's total performance that management is more directly able to influence and on a basis comparable from year to year. A reconciliation of this measure is provided in Note 2 of these results.

Net bank debt - represents the total bank borrowings less cash. This measure excludes unamortised issue costs and obligations under finance leases and allows management to assess its indebtedness to its bank providers. A reconciliation is shown below;

	2017	2016
	US$'000	US$'000

Statutory net debt	**372,829**	402,129
Add back unamortised issue costs	**-**	11,441
Less obligations under finance leases		(40,084)
	372,829	373,486

Net debt (or Statutory net debt) - represents the total bank borrowings plus finance lease obligations less unamortised loan arrangement fees and cash. This measure provides additional information of the Group's financial position. A reconciliation is shown below;

	2017 US$'000	2016 US$'000
Bank borrowings	**411,783**	435,061
Obligations under finance leases	**-**	40,084
Less unamortised issue costs	**-**	(11,441)
Less cash and cash equivalents	**(38,954)**	(61,575)
	372,829	402,129

Total net borrowings - represents the total bank borrowings plus finance lease obligations less cash. This measure excludes unamortised issue costs and allows management to assess its indebtedness to third parties. A reconciliation is shown below;

	2017 US$'000	2016 US$'000
Statutory net debt	**372,829**	402,129
Add back unamortised issue costs	**-**	11,441

	372,829	413,570

Other definitions

Available days - the number of days during which an SESV 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.

Backlog - represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate)) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.

EPC - engineering, procurement and construction.

Finance Service Cover - represents the ratio of Adjusted EBITDA to Finance Service (being Net finance charges plus scheduled repayments plus capital payments for finance leases adjusted for voluntary or mandatory prepayments), in respect of that relevant period.

Interest Cover - **represents** the ratio of Adjusted EBITDA to Net finance charges.

Net finance charges - represents finance charges for that period less interest income for that period.

Net leverage ratio - represents the ratio of net bank debt to Adjusted EBITDA.

NOC - national oil company.

Proforma EBITDA - represents EBITDA for covenant testing purposes being EBITDA (see definition above) for the trailing twelve months plus EBITDA contribution from new contracts, of at least six months in duration that commence during a covenant testing period, with the EBITDA contribution from these contracts annualised (unless contract duration is less than 12 months when total contract EBITDA contribution is applied).

Security Cover (loan to value) - the ratio (expressed as a percentage) of Total Net Debt at that time to the Market Value of the Secured Vessels.

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.

CAUTIONARY STATEMENT

This announcement includes statements that are forward-looking in nature. All statements other than statements of historical fact are capable of interpretation as forward-looking statements. These statements may generally, but not always, be identified by the use of words such as 'will', 'should', 'could', 'estimate', 'goals', 'outlook', 'probably', 'project', 'risks', 'schedule', 'seek', 'target', 'expects', 'is expected to', 'aims', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. By their nature these forward-looking statements involve numerous assumptions, risks and uncertainties, both general and specific, as they relate to events and depend on circumstances that might occur in the future.

Accordingly, the actual results, operations, performance or achievements of the Company and its subsidiaries may be materially different from any future results, operations, performance or achievements expressed or implied by such forward-looking statements, due to known and unknown risks, uncertainties and other factors. Neither Gulf Marine Services PLC nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest the Company or any other entity, and must not be relied upon in any way in connection with any investment decision. All written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above.