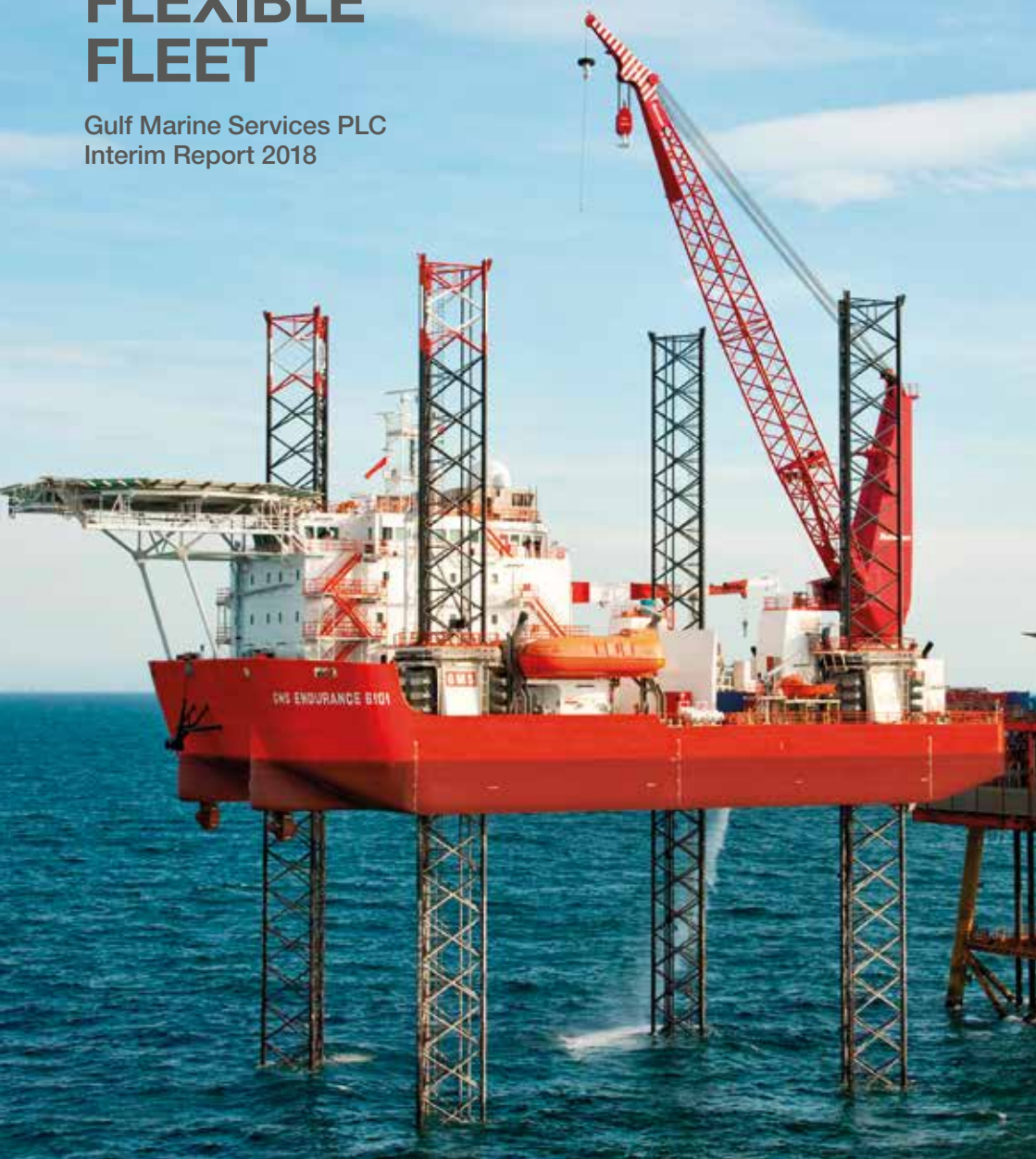




OFFSHORE CONTRACTOR

# MODERN FLEXIBLE FLEET

Gulf Marine Services PLC  
Interim Report 2018



# LEADING THE WAY IN OFFSHORE SUPPORT SOLUTIONS FOR THE OIL, GAS AND RENEWABLE ENERGY INDUSTRIES

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## HIGHLIGHTS

### Financial Results Summary

- Adjusted EBITDA\* of US\$ 25.4 million (H1 2017: US\$ 34.5 million) an increase of 6% on H2 2017.
- Adjusted EBITDA margin\* of 45% (H2 2017: 44%).
- US\$ 4.4 million loss for the period after tax (H1 2017: profit after tax of US\$ 0.7 million) reflects some clients' later contract start dates, now all underway, return to profitability expected in H2 2018.
- 2018 EBITDA expected to be US\$ 59 million – 65 million, with EBITDA margin continuing at current level.
- The Group continues to focus on reducing net debt, no interim dividend payment for 2018.

### Operational Highlights

- Busy period operationally with six SESVs mobilised onto new contracts.
- All Large and Mid-Size Class vessels on hire by mid-year.
- Utilisation\* rate at 72% in H1 2018 (H2 2017: 61%).
- Three contracts secured in H1 2018, with a combined charter period of four years. (All contracts include firm and option periods.)
- Secured backlog\* as at 31 August 2018 is US\$ 121.1 million (including options) (31 December 2017: US\$ 171.9 million).
- Outstanding HSE performance maintained, with zero lost time injuries.

\* Please refer to the Glossary.

There were no adjusting items in the current period. Adjusted items relate to comparative figures only. A full reconciliation between adjusted and statutory results is contained in note 4 of the condensed consolidated financial statements.

# A WORLD LEADER IN SESVs

**About us**

GMS was established in Abu Dhabi, UAE in 1977 and in 1982 pioneered the design, build and operation of the first purpose built four-legged self-propelled self-elevating support vessel (SESV) in the Gulf. The Group has continued to be at the forefront of technological innovation for more than 40 years and is one of the largest operators of self-propelled SESVs in the world. GMS listed on the London Stock Exchange in 2014.

Our SESVs provide a stable platform for the delivery of a wide range of services performed by our oil company clients and contractors engaged in engineering, procurement and construction throughout the life cycle of offshore oil and gas projects, and by operators in the renewable energy (wind farm-related) industry. Our vessels are capable of operations in water depths of up to 80m that are typically found in the Middle East, South East Asia, West Africa and Europe. We construct and maintain our own vessels at our quayside yard in Abu Dhabi and our extensive new build programme in recent years has made the GMS fleet one of the most sophisticated in the industry.

**The GMS core fleet comprises three classes of vessels that serve a range of client needs**

**Large Class**

- 4 units
- Average age: 5 years
- Water depth: 65m-80m
- Accommodation for up to 300 people
- Harsh weather capable



**Mid-Size Class**

- 3 units
- Average age: 3 years
- Water depth: 55m
- Accommodation for up to 300 people
- Harsh weather capable



**Small Class**

- 6 units
- Average age: 11 years
- Water depth: 45m-55m
- Accommodation for up to 300 people



**GMS fleet of SESVs**

Large Class Vessels	Year of Delivery
GMS Evolution	2017
GMS Enterprise	2014
GMS Endeavour	2011
GMS Endurance	2010

Mid-Size Class Vessels	Year of Delivery
GMS Sharqi	2016
GMS Scirocco	2015
GMS Shamal	2015

Small Class Vessels	Year of Delivery
Pepper	2015
Keloa	2009
Kudeta	2008
Kawawa	2006
Kikuyu	2005
Kamikaze	1999

The Group also owns SESV Naashi; this was built in 1982 and is not considered part of the core fleet.



### A modern fleet fit for the future

Our core fleet of 13 SESVs is amongst the youngest in the industry, with an average age of just seven years, and this makes it highly attractive to clients seeking to charter the most advanced and cost-efficient vessels for their current and longer-term operations.

All our 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 our clients. These vessels support our 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).

### Expanding our services and markets through technological innovation

The ongoing expansion of our services is part of our strategic plan to apply our ability to innovate technologically to diversify into new markets and to increase our geographical spread. Examples of our recent industry-first projects can be found in our 2017 Annual Report, together with further information on the specific benefits our SESVs provide to clients.

### What differentiates GMS from other operators?

- Pioneering development of Large Class and Mid-Size Class SESVs.
- All our SESVs have four legs; this, combined with our dynamic positioning system on our Large Class and Mid-Size Class vessels, helps us to position our vessels very close to our clients' installations and provides a significantly more stable and reliable platform than three-legged jackup vessels.
- All our SESVs are self-propelled; they do not need costly support vessels for travel and manoeuvres, saving our clients both time and money.
- We design, build and operate our own SESVs.
- We are at the forefront of technological innovation; we use our in-house expertise to enhance the design of our vessels and expand our services so that we can provide flexible, cost-effective, offshore support solutions to our clients.

### 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 and snubbing.
- Well abandonment and decommissioning.
- Wind turbine installation and maintenance.
- Offshore wind farm substation commissioning and maintenance.

## CHIEF EXECUTIVE'S REVIEW

We have had a very busy six months with three new contracts secured and an unprecedented six vessel mobilisations in the period.



The Group is reporting a loss after tax of US\$ 4.4 million in the first half of 2018 (H1 2017 profit after tax: US\$ 0.7 million). The principal cause for this loss has been the delays in mobilising some charters following later contract start dates than our clients had originally indicated as being possible, which reduced the on-hire time of these vessels in the period; these contracts have now all successfully commenced. Encouragingly, both EBITDA and the EBITDA margin showed sequential improvement against the second half of last year with an adjusted EBITDA of US\$ 25.4 million (H2 2017: US\$ 24.0 million) and an adjusted EBITDA margin of 45% (H2 2017: 44%).

The first half of the year was very busy operationally, with an unprecedented six vessels mobilised onto new charters in the period. We expect to see a return to profitability in the second half of 2018 as the earnings contribution from these vessels is recognised in trading results. While the delays have been somewhat frustrating, our financial performance in 2019 will be positively impacted by these recently commenced contracts.

The utilisation rate for the core SESV fleet, which excludes the time vessels were mobilising for new contracts, was 72% for H1 2018 (H2 2017: 61%) (including this time would give an adjusted utilisation rate of approximately 60%). We are pleased that all our Large and Mid-Size Class SESVs were on hire by mid-2018 and the utilisation rate for these vessels is expected to be above 90% for H2 2018.

During the period we announced three new contract awards: a 24-month charter for a Mid-Size Class vessel and a 16-month contract extension for a Small Class vessel in the MENA region, and an eight-month charter for a Large Class vessel in

Europe (all contracts include option periods). An option period of 18 months on a Mid-Size Class vessel operating in the MENA region has also been converted to a 12-month charter comprising both firm and option periods.

Levels of enquiries and tender activity in our principal markets continue to be encouraging. While the tender processes amongst some of our clients remain protracted, our new contract wins highlight our continued strategy to improve our market diversification, with more of our vessels supporting clients' oil and gas operations in Saudi Arabia and three vessels now working for clients in the renewables sector in Europe.

The secured backlog is US\$ 121.1 million (including options) as at 31 August 2018 (1 March 2018: US\$ 160.6 million). Whilst this order book level reflects the market's adjustment to the trough in the oil price, it also more directly reflects our decision to be disciplined in limiting our exposure to long term contract commitments bearing unattractive margins at this point in the market cycle.

The Group's net borrowings as at 30 June 2018 (being all net bank debt) was US\$ 409.9 million (30 June 2017: US\$ 417.0 million) with this reflecting increased working capital requirements and expenditure incurred on mobilising vessels for new contracts. We expect our level of net debt to reduce by year end. As discussed more fully in the Financial Review and note 2 of the condensed consolidated financial statements, there may currently be a material uncertainty about certain assumptions that we have made on the value and timing of future contract awards in preparing these financial statements on the going concern basis.

Whilst there are a number of potentially attractive opportunities to expand the fleet in the current environment, our primary regard is ensuring we manage appropriately the Group's leverage levels.

The Group is continuing its previously announced policy to focus on reducing the level of net debt and accordingly no interim dividend will be paid in 2018. The Board recognises shareholder priorities and dividend payments will be resumed as soon as reasonable financial prudence allows.

### Operations

Health, safety and the environment continue to be a top priority and once again we have delivered an outstanding safety performance, with a total recordable injury rate of zero in H1 2018 (H1 2017: zero) and zero lost time injuries incurred (H1 2017: zero). The total number of man hours worked in the period was 2.0 million (H1 2017: 2.4 million man hours).

Saudi Arabia continues to be a growth market for GMS and just over half the mobilisations in the period were for new contracts in the region. We are also pleased to see the ongoing development of the offshore renewables industry in Europe. GMS already has a successful track record in this market and during the period we commenced work for two new clients. We relocated one of our Large Class

vessels from the UAE to the UK where this joined another of our Large Class vessels to support the construction of Hornsea Project One, the world's largest offshore wind farm development. A third Large Class vessel has recently commenced a charter to support operations at another wind farm project in the region.

The GMS core fleet is one of the youngest in the world, with an average age of just seven years, which is an advantage as clients are demonstrating a preference for modern tonnage. Our ability to adapt our vessels according to our clients' requirements continues to be helpful as we seek to increase our market share. We enhanced the capability of one of our Small Class vessels (Pepper) in the period, extending its legs by approximately 15% to enable it to work in the same water depths (up to 55 metres) as our Mid-Size Class vessels. The vessel will now be able to support our clients' operations in more locations across the MENA region.

### Our people

I would like to take this opportunity to thank everyone at GMS for their commitment and hard work across the Group's operations in such a busy period and to congratulate them on another excellent safety performance.



## CHIEF EXECUTIVE'S REVIEW CONTINUED

In May 2018 we announced that Dr Karim El Solh, Board representative of our previous largest shareholder Gulf Capital, had stepped down as a Non-Executive Director of the Company. Dr El Solh had been involved with GMS since 2007 and I would like to thank him again for his valuable contribution over the years.

### Outlook

We expect to see increasing opportunities for GMS against the backdrop of a more stable oil price environment and with the continued development of the renewable energy sector. We will continue to maximise utilisation as effectively as possible and this is already proving successful for our Large and Mid-Size Class vessels. We are now focused on improving the utilisation of our Small Class vessels, and on securing improved day rates across the fleet; both of these should be addressable as a sustained higher oil price feeds through to increased levels of

maintenance and capex activity and the markets we operate in start to tighten overall.

As I stated in my 2017 full year review, we will continue to manage our costs appropriately and deleveraging is a priority. The Group is expecting 2018 EBITDA to be US\$ 59.0 million – 65.0 million, with an EBITDA margin continuing at the current level.

I am confident we are well-placed to provide the efficient and cost-effective offshore support solutions that suit our clients' evolving needs and to secure new longer term contract opportunities in a recovering market.

### Duncan Anderson

Chief Executive Officer  
3 September 2018





# FINANCIAL REVIEW

## Financial Results Summary

US\$ million	H1 2018	H1 2017	H2 2017
Revenue	<b>56.1</b>	58.5	54.4
Gross profit	<b>21.3</b>	19.1	16.8
Adjusted EBITDA*	<b>25.4</b>	34.5	24.0
(Loss)/profit for the period after tax	<b>(4.4)</b>	0.7	(18.9)
Basic (loss)/earnings per share (US cents)	<b>(1.42)</b>	0.13	(5.44)
Diluted (loss)/earnings per share (US cents)	<b>(1.42)</b>	0.13	(5.44)

\* Alternative performance measure. Adjusted items relate to comparative figures only. Refer to the Glossary for further details and definitions.

### Introduction

Revenue of US\$ 56.1 million in the first half of 2018 (H1 2017: US\$ 58.5 million) was an improvement from H2 2017 revenue of US\$ 54.4 million. Adjusted EBITDA was US\$ 25.4 million (H1 2017: US\$ 34.5 million) showing an increase of 6% on H2 2017. The adjusted EBITDA margin in H1 2018 was 45% (H1 2017: 59%), compared to 44% in H2 2017. The loss for the period after tax was US\$ 4.4 million (H1 2017: profit after tax of US\$ 0.7 million) mainly arising from an increase in cost of sales and finance costs. The diluted loss per share was 1.42 cents (H1 2017: diluted earnings per share of 0.13 cents).

Total capital expenditure for H1 2018 was US\$ 14.4 million (H1 2017: US\$ 18.3 million). As discussed in the Chief Executive's Review, there were a number of vessel mobilisations undertaken in the period which affected our half year results. These included contract specific vessel modifications which involved capital expenditures to make alterations or enhancements to vessels to optimise efficiencies for clients (such as a crew transfer tower that was engineered for a Large Class vessel).

Total net borrowings as at 30 June 2018 was US\$ 409.9 million (30 June 2017: US\$ 417.0 million) with this reflecting increased working capital requirements and the expenditure incurred on mobilising vessels for new contracts during the period. At 30 June 2018 there were undrawn committed bank facilities of US\$ 30.0 million (31 December 2017: US\$ 50.0 million). The Group's net debt level (being bank borrowings less cash) is expected to reduce by year end. Attention is drawn to compliance in relation to going concern in note 2 of the condensed consolidated financial statements.

The following sections discuss the Group's adjusted results as the Directors consider that they provide a useful indicator of underlying performance. Whilst adjustments were made for non-operational items in 2017, no such adjustments were required in H1 2018. A reconciliation between the adjusted non-GAAP results and statutory results is contained in note 4.

### Revenue and segmental profit

Revenue in H1 2018 was US\$ 56.1 million (H1 2017: US\$ 58.5 million) showing an improvement of US\$ 1.7 million to revenue earned in H2 2017. As discussed above, a number of vessels were mobilised onto new contracts during the period. A number of these barges commenced their charters later than the clients had originally indicated as being possible, which reduced their on-hire time in the first half of the year.

The utilisation rate for the core SESV fleet, which excludes the time vessels were unavailable for hire whilst mobilising for new contracts, was 72% for H1 2018 (the adjusted utilisation rate including this unavailable time would be approximately 60%).

The largest contribution to Group revenue in the period came from the Large Class vessel segment with US\$ 20.5 million (H1 2017: US\$ 19.8 million). Revenue contribution from Mid-Size Class vessels was US\$ 19.1 million (H1 2017: US\$ 20.1 million) and US\$ 16.5 million for Small Class vessels (H1 2017: US\$ 18.6 million). The cash gross profit, being gross profit excluding depreciation and amortisation was US\$ 12.3 million (H1 2017: US\$ 14.1 million) for Large Class vessels, US\$ 12.2 million for Mid-Size Class vessels (H1 2017: US\$ 14.6 million) and US\$ 9.4 million (H1 2017: US\$ 13.0 million) for Small Class vessels.

## FINANCIAL REVIEW CONTINUED

### Cost of sales and general and administrative expenses

Cost of sales increased by 4% to US\$ 34.8 million in the period (H1 2017: US\$ 33.5 million excluding non-cash impairment charges and release of bad debt provision). During the period a number of our vessels were required to be fully operational ahead of actual contract commencement dates meaning the operating expenses for these vessels were at a similar level as on hire vessels which increased costs. In addition, catering and accommodation costs were marginally higher on certain vessels which had a higher number of POB (persons on board).

As noted in the 2017 Annual Report, an increase in general and administrative expenses from higher operating levels and lower capitalisation as the construction programme wound down was expected in 2018 and beyond. General and administrative expenses were US\$ 9.1 million in H1 2018 (H1 2017: US\$ 7.8 million) mainly through an increase in staff costs during the period. Going forward, the level of general and administrative expenses will increase further as the costs of Technical Department staff that were involved in mobilisations in H1 will now be recognised in the income statement.

### Adjusted EBITDA

Adjusted EBITDA for the period was US\$ 25.4 million (H1 2017: US\$ 34.5 million), an increase of 6% on H2 2017. The reduction in adjusted EBITDA to H1 2017 primarily arises from the increase in cost of sales, and general and administrative expenses, discussed above. The Group's adjusted EBITDA margin in H1 2018 was relatively steady at 45% (H1 2017: 59%) compared to 44% in H2 2017. We would expect the adjusted EBITDA margin for the full year to continue at the current level.

### Finance costs

Net finance costs in H1 2018 increased to US\$ 15.0 million (H1 2017: US\$ 11.1 million), with a higher borrowing interest rate and with no finance costs being capitalised during the period as the new build programme had ended (in H1 2017: US\$ 2.2 million capitalised). The cost of borrowing from banks is based on US\$ LIBOR (which rose in the period) plus a variable rate margin on our term facilities which is linked to net leverage levels.

### Taxation

The tax charge for the period was US\$ 1.9 million (H1 2017: US\$ 1.6 million). The increase in tax charge arises mainly from a change in the proportion of profits earned in territories with higher tax jurisdictions.

### Earnings

The Group incurred a loss for the period after tax of US\$ 4.4 million (H1 2017: profit after tax of US\$ 0.7 million) while the diluted loss per share was 1.42 cents (H1 2017: diluted earnings per share of 0.13 cents).

### Dividends

The Board has decided not to pay an interim dividend as the Group continues its focus on reducing the level of net debt.

### Capital expenditure

Capital expenditure during the first half of US\$ 14.4 million (H1 2017: US\$ 18.3 million) was mainly incurred on the vessel modifications as discussed above.

Capital expenditure for the remainder of 2018 is anticipated to be less than US\$ 5.0 million primarily relating to necessary fleet maintenance. No significant capital expenditure is currently planned for 2019 and beyond.

### Cash flow and liquidity

The Group's net cash flow from operating activities was a net outflow of US\$ 8.2 million (H1 2017: net inflow of US\$ 12.9 million) partially resulting from an increase in expenditure incurred to support vessel mobilisations, discussed above, along with an increase in the balance of trade receivables at period end as discussed opposite. The net cash outflow from investing activities for H1 2018 was US\$ 11.9 million (H1 2017 net outflow: US\$ 9.8 million) primarily relating to capital expenditure. The Group's net cash flow relating to financing activities during the period was an outflow of US\$ 8.4 million (H1 2017 net inflow: US\$ 28.8 million) mainly attributable to payments for loan capital and interest, partially offset by a loan drawdown of US\$ 20.0 million to fund working capital requirements.

## Balance sheet

Total current assets at 30 June 2018 were US\$ 53.2 million (31 December 2017: US\$ 57.4 million). This movement is mainly attributable to a decrease in cash and cash equivalents to US\$ 10.4 million (31 December 2017: US\$ 39.0 million) offset by an increase in trade and other receivables to US\$ 42.8 million (31 December 2017: US\$ 18.5 million). The reduction in cash balance primarily reflects additional costs incurred on vessel mobilisations along with loan payments (principal and interest) made during the period. The increase in trade and other receivables primarily relates to the number of new contracts that commenced towards the end of H1 2018. Recoverability of trade receivables is considered to still remain strong due to the credit quality of clients comprising mainly NOCs, IOCs and international EPC contractors.

Total current liabilities at 30 June 2018 were US\$ 42.4 million (31 December 2017: US\$ 49.8 million). The decrease in current liabilities is mainly attributable to a decrease in trade and other payables to US\$ 17.3 million (31 December 2017: US\$ 24.9 million) mainly arising from payments made during the period for arrangement fees incurred as part of the Group's amendment of its bank facility agreement in late 2017.

The combined effect of the above items was an increase in the Group's working capital and cash balance to US\$ 10.9 million at 30 June 2018 (31 December 2017: US\$ 7.6 million).

Total non-current assets at 30 June 2018 were relatively constant at US\$ 810.3 million (31 December 2017: US\$ 808.4 million). Total non-current liabilities at 30 June 2018 were US\$ 403.9 million (31 December 2017: US\$ 394.7 million). The increase in non-current liabilities is mainly attributable to an increase in the non-current portion of bank borrowings following a loan drawdown of US\$ 20.0 million during the period.

## Net debt

Total net borrowings as at 30 June 2018 was US\$ 409.9 million (30 June 2017: US\$ 417.0 million) reflecting increased working capital requirements and expenditure incurred on mobilising vessels for new contracts during the period. Undrawn committed bank facilities were US\$ 30.0 million at the end of the period (31 December 2017: US\$ 50.0 million). The Group's net debt level (being bank borrowings less cash) is expected to reduce by year end.

As at 30 June 2018 the Group was in full compliance with all its banking covenants. The discussion of going concern below should also be considered.

## Equity

Shareholders' equity decreased from US\$ 420.7 million at 31 December 2017 to US\$ 416.1 million at 30 June 2018. The movement is mainly attributed to the loss incurred during the period.

The number of ordinary shares issued in the Company increased to 349,967,878 following the issue of 263,905 shares on 12 April 2018 awarded under the Company's 2015 Long-Term Incentive Plan. On 16 April 2018, the Company granted awards over ordinary shares under the Long-Term Incentive Plan. The awards will vest three years after grant, subject to performance conditions measured over the three-year period.

## Going concern

After assessing the Group's financial position for a period of not less than 12 months from the date of approval of the half year results and having taken account of the material uncertainty described in note 2 to the condensed consolidated financial statements, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group therefore has adopted the going concern basis of accounting in preparing the condensed consolidated financial statements.

## 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. There have been no adjusting items in the period. In H1 2017 the adjusting items comprised of non-operational items. A reconciliation between the adjusted non-GAAP and statutory results is provided in note 4.

## Related party transactions

There have been no new material related party transactions in the period. The only material change to the related parties described in note 27 to the 2017 Annual Report is Green Investment Commercial Investments LLC (GIC) which no longer has an ownership interest in the Company following the sale of its shareholding during the period. As a consequence, Dr Karim El Solh (previously a Non-Executive Director) stepped down from the Board of the Company, and Abu Dhabi Commercial Bank PJSC is no longer a related party.

## FINANCIAL REVIEW CONTINUED

### Risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of 2018. The Directors do not consider that the principal risks and uncertainties have materially changed since the last publication of the Annual Report for the year ended 31 December 2017. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 17 to 19 of the 2017 Annual Report which is available at [www.gmsuae.com](http://www.gmsuae.com).

- Strategic – The Group is subject to threats from competitor actions or the entrance of new competitors in the market as well as macroeconomic events, including the impact of a sustained period of low oil prices on demand for the Group's services.
- Commercial – The Group relies on a limited number of blue chip clients that may expose us to losses if these relationships breakdown. The Group may not be able to win contracts or retain existing contracts, tenders may be unusually protracted or contractual option periods may not be exercised. Contract cancellations may lead to commercial downtime between contracts and lower overall average utilisation.
- Financial – The Group's success is dependent on its ability to raise finance and service its financial obligations. See note 2 of the condensed consolidated financial statements.
- Health, Safety, Security, Environment and Quality – The Group's operations have an inherent safety risk due to our offshore operations.
- Compliance and Regulation – The Group has to appropriately identify and comply with laws and regulations and other regulatory statutes.
- Operational – The Group's assets should operate in the manner intended by management.
- People – The Group's success depends on our ability to attract and retain suitably qualified and experienced personnel.
- Investments – There could be delays in completion, or errors in assessing the impact of new strategic expansion projects or other strategic investments.

# FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2018

	Notes	Six months ended 30 June		Year ended
		2018 US\$'000	2017 US\$'000	31 December 2017 US\$'000
<b>Revenue</b>	3	<b>56,085</b>	58,475	112,881
Cost of sales		<b>(34,771)</b>	(32,018)	(69,596)
Impairment charge	3	–	(7,327)	(7,327)
<b>Gross profit</b>		<b>21,314</b>	19,130	35,958
General and administrative expenses		<b>(9,063)</b>	(7,808)	(16,721)
<b>Operating profit</b>		<b>12,251</b>	11,322	19,237
Finance income		<b>15</b>	29	47
Finance expense		<b>(15,027)</b>	(11,061)	(38,960)
Gain/(loss) on disposal of asset		–	102	(575)
Other (loss)/income		<b>(35)</b>	58	75
Foreign exchange gain, net		<b>259</b>	1,856	1,856
<b>(Loss)/profit for the period before taxation</b>		<b>(2,537)</b>	2,306	(18,320)
Taxation (charge)/credit for the period	5	<b>(1,867)</b>	(1,595)	167
<b>(Loss)/profit for the period after taxation</b>		<b>(4,404)</b>	711	(18,153)
<b>Other comprehensive (loss)/income</b>				
Exchange differences on translating foreign operations*		<b>(176)</b>	(584)	46
<b>Total comprehensive (loss)/income for the period</b>		<b>(4,580)</b>	127	(18,107)
<b>(Loss)/profit attributable to:</b>				
Owners of the Company		<b>(4,973)</b>	465	(18,565)
Non-controlling interests		<b>569</b>	246	412
		<b>(4,404)</b>	711	(18,153)
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company		<b>(5,149)</b>	(119)	(18,519)
Non-controlling interests		<b>569</b>	246	412
		<b>(4,580)</b>	127	(18,107)
<b>(Loss)/earnings per share</b>				
Basic (cents per share)	6	<b>(1.42)</b>	0.13	(5.31)
Diluted (cents per share)	6	<b>(1.42)</b>	0.13	(5.31)

\* May be reclassified subsequently to profit or loss.

Results in each period are derived from continuing operations.

# FINANCIAL STATEMENTS CONTINUED

## CONDENSED CONSOLIDATED BALANCE SHEET as at 30 June 2018

	Notes	30 June 2018 US\$'000	31 December 2017 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	807,085	804,500
Dry docking expenditure		2,034	2,711
Deferred tax asset		1,229	1,176
<b>Total non-current assets</b>		<b>810,348</b>	808,387
<b>Current assets</b>			
Trade and other receivables	8	42,821	18,493
Cash and cash equivalents		10,402	38,954
<b>Total current assets</b>		<b>53,223</b>	57,447
<b>Total assets</b>		<b>863,571</b>	865,834
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	57,992	57,957
Share premium account		93,080	93,075
Group restructuring reserve		(49,710)	(49,710)
Restricted reserve		272	272
Capital contribution		9,177	9,177
Share option reserve	10	2,964	2,465
Translation reserve		(2,145)	(1,969)
Retained earnings		304,472	309,445
<b>Equity attributable to the owners of the Company</b>		<b>416,102</b>	420,712
Non-controlling interests		1,167	598
<b>Total equity</b>		<b>417,269</b>	421,310

**CONDENSED CONSOLIDATED BALANCE SHEET**  
as at 30 June 2018 continued

	Notes	30 June 2018 US\$'000	31 December 2017 US\$'000
<b>Non-current liabilities</b>			
Bank borrowings	11	<b>401,377</b>	391,514
Provision for employees' end of service benefits		<b>2,547</b>	3,188
Deferred tax liability		<b>13</b>	13
<b>Total non-current liabilities</b>		<b>403,937</b>	394,715
<b>Current liabilities</b>			
Trade and other payables		<b>17,294</b>	24,907
Current tax liability		<b>6,184</b>	4,633
Bank borrowings	11	<b>18,887</b>	20,269
<b>Total current liabilities</b>		<b>42,365</b>	49,809
<b>Total liabilities</b>		<b>446,302</b>	444,524
<b>Total equity and liabilities</b>		<b>863,571</b>	865,834

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

## FINANCIAL STATEMENTS CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2018

	Share capital US\$'000	Share premium account US\$'000	Restricted reserve US\$'000	Group restructuring reserve US\$'000
As at 1 January 2018	57,957	93,075	272	(49,710)
Total comprehensive (loss)/income for the period	–	–	–	–
Share options rights charge	–	–	–	–
Shares issued under LTIP schemes	35	5	–	–
<b>As at 30 June 2018</b>	<b>57,992</b>	<b>93,080</b>	<b>272</b>	<b>(49,710)</b>

	Share capital US\$'000	Share premium account US\$'000	Restricted reserve US\$'000	Group restructuring reserve US\$'000
As at 1 January 2017	57,929	93,075	272	(49,710)
Total comprehensive (loss)/income for the period	–	–	–	–
Share options rights charge	–	–	–	–
Dividends paid during the period	–	–	–	–
<b>As at 30 June 2017</b>	<b>57,929</b>	<b>93,075</b>	<b>272</b>	<b>(49,710)</b>

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



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
2,465	9,177	(1,969)	309,445	420,712	598	421,310
–	–	(176)	(4,973)	(5,149)	569	(4,580)
539	–	–	–	539	–	539
(40)	–	–	–	–	–	–
<b>2,964</b>	<b>9,177</b>	<b>(2,145)</b>	<b>304,472</b>	<b>416,102</b>	<b>1,167</b>	<b>417,269</b>

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
1,702	9,177	(2,015)	333,259	443,689	560	444,249
–	–	(584)	465	(119)	246	127
175	–	–	–	175	–	175
–	–	–	(5,249)	(5,249)	(374)	(5,623)
<b>1,877</b>	<b>9,177</b>	<b>(2,599)</b>	<b>328,475</b>	<b>438,496</b>	<b>432</b>	<b>438,928</b>

## FINANCIAL STATEMENTS CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the period ended 30 June 2018

	Six months ended 30 June		Year ended
	2018 US\$'000	2017 US\$'000	31 December 2017 US\$'000
<b>Net cash (used in)/generated from operating activities (note 12)</b>	<b>(8,202)</b>	12,893	56,273
<b>Investing activities</b>			
Payments for property, plant and equipment	<b>(13,019)</b>	(10,039)	(22,822)
Proceeds from insurance claim	<b>1,710</b>	–	1,801
Proceeds from disposal of property, plant and equipment	–	1,210	1,209
Movement in capital advances	–	66	67
Dry docking expenditure incurred	<b>(616)</b>	(976)	(2,049)
Movement in guarantee deposits	–	(82)	82
Interest received	<b>15</b>	29	47
<b>Net cash used in investing activities</b>	<b>(11,910)</b>	(9,792)	(21,665)
<b>Financing activities</b>			
Bank borrowings received	<b>20,000</b>	–	–
Repayment of bank borrowings	<b>(11,720)</b>	(10,999)	(21,999)
Payment of issue costs on borrowings	<b>(416)</b>	(676)	(2,283)
Interest paid	<b>(16,304)</b>	(10,607)	(25,114)
Payment on obligations under finance lease	–	(1,272)	(2,584)
Dividends paid	–	(5,249)	(5,249)
<b>Net cash used in financing activities</b>	<b>(8,440)</b>	(28,803)	(57,229)
<b>Net decrease in cash and cash equivalents</b>	<b>(28,552)</b>	(25,702)	(22,621)
Cash and cash equivalents at the beginning of the period	<b>38,954</b>	61,575	61,575
<b>Cash and cash equivalents at the end of the period</b>	<b>10,402</b>	35,873	38,954
<b>Non-cash transactions</b>			
Share issued under LTIP schemes	<b>40</b>	–	28
Return of finance leased vessel	–	–	(37,500)
Insurance claim receivable	–	–	(1,710)

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 2018

### 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 6th Floor, 65 Gresham Street, London, EC2V 7NQ. 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 (SESVs) 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2018 were authorised for issue on 3 September 2018. The condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated financial statements have been reviewed, not audited. The information for the year ended 31 December 2017, contained in the condensed consolidated 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 2017 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 26 March 2018. 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 2017 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 Guidance 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 2017. In addition, results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. The condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2018 is not affected significantly by seasonality of results.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The information for the year to 31 December 2017 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditor for the audited financial statements for the year to 31 December 2017 was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### Going concern

The Company's Directors have assessed the Group's financial position for a period of not less than 12 months from the date of approval of the half year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group has committed credit facilities in place at 30 June 2018 (see note 11) comprising an existing loan facility with a balance of US\$ 420.3 million and a committed working capital facility of US\$ 50.0 million of which US\$ 30.0 million remains undrawn.

# FINANCIAL STATEMENTS CONTINUED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2018 continued

### 2 Basis of preparation continued

#### Going concern continued

As is normal in the industry in which the Group operates, in assessing its future financial position, the business is dependent on future contract awards, some of which the Group may not have visibility of until the contract is secured close to the charter commencement date. In addition, in the current environment, the tender processes of some of our clients are unusually protracted.

Whilst the Group believes that the expected contracts of appropriate EBITDA value and commencement date (refer to the Glossary for proforma EBITDA basis) will be awarded and commenced as anticipated, in the possible circumstance that this protraction continues, there is a risk that the Group could breach financial covenants attached to its credit facilities at 31 December 2018. A breach could, possibly, result in the banks exercising their rights to recall all credit facilities and to demand immediate repayment.

These conditions indicate a material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern.

There is also a risk that even greater protraction in tender processes could result in insufficient contracts being secured and commenced between now and 30 June 2019, such that a breach could, in theory, also occur at that date.

In the event of a potential breach in covenants, the Group would approach the members of the banking syndicate to seek a waiver from covenant testing for that period. The Directors believe that given our strong banking relationships the banks would agree to grant any such waiver if required.

Notwithstanding the material uncertainty with regard to covenant compliance at 31 December 2018 and the uncertainty with regard to covenant compliance at 30 June 2019, both described above, the Directors are confident that either a sufficient value of contracts will be awarded or that the Group will be able to obtain a waiver from covenant testing and accordingly 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 2017 as disclosed in the Annual Report, except for the adoption of new standards and interpretations effective as of 1 January 2018.

#### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from contracts with customers; and
- IFRS 2 Share-based payment.

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years and did not require any retrospective adjustments but may affect the accounting for future transactions or arrangements. The full revised accounting policies applicable from 1 January 2018 will be provided in the Group's annual financial statements for the year ending 31 December 2018.

Other amendments to IFRSs that became effective for the period beginning on 1 January 2018 did not have any impact on the Group's accounting policies.

## Impact of standards issued but not yet applied by the Group

### IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

The Group currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Under the updated accounting standards, the Group has preliminarily determined that some of its revenue contracts with customers may contain a lease component, with the Group acting as lessor, and at adoption therefore the Group may be required to disclose a leasing component on these contracts. The Directors are currently assessing the potential impact of the above. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete their review.

## FINANCIAL STATEMENTS CONTINUED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2018 continued

#### 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 adjusted gross profit/(loss)*		
	6 months ended 30 June		Year ended 31 December	6 months ended 30 June		Year ended 31 December
	2018 US\$'000	2017 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000	2017 US\$'000
Large Class vessels	<b>20,474</b>	19,781	42,549	<b>12,309</b>	14,075	29,074
Mid-Size Class vessels	<b>19,083</b>	20,054	34,990	<b>12,195</b>	14,573	22,800
Small Class vessels	<b>16,528</b>	18,640	35,337	<b>9,356</b>	12,987	22,024
Other	-	-	5	<b>(71)</b>	(63)	(113)
<b>Total</b>	<b>56,085</b>	58,475	112,881	<b>33,789</b>	41,572	73,785
Less:						
Depreciation charged to cost of sales				<b>(11,182)</b>	(13,246)	(26,987)
Amortisation charged to cost of sales				<b>(1,293)</b>	(1,869)	(3,513)
Impairment charge				-	(7,327)	(7,327)
<b>Gross profit</b>				<b>21,314</b>	19,130	35,958
General and administrative expenses				<b>(9,063)</b>	(7,808)	(16,721)
Finance income				<b>15</b>	29	47
Finance expense				<b>(15,027)</b>	(11,061)	(38,960)
Gain/(loss) on disposal of asset				-	102	(575)
Other (loss)/income				<b>(35)</b>	58	75
Foreign exchange gain, net				<b>259</b>	1,856	1,856
<b>(Loss)/profit before taxation</b>				<b>(2,537)</b>	2,306	(18,320)

\* Please refer to the Glossary.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either of the periods. The composition of the Other vessels segment, which are non-core assets, was amended in the second half of 2017 following the reclassification of the vessel Naashi from Small Class vessels to the Other segment (comparative figures have been adjusted to reflect this).

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.

#### 4 Presentation of adjusted non-GAAP results

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

	6 months ended 30 June 2018			6 months ended 30 June 2017		
	Adjusted non-GAAP results US\$'000	Adjusting items US\$'000	Statutory total US\$'000	Adjusted Non-GAAP results US\$'000	Adjusting Items US\$'000	Statutory total US\$'000
Revenue	56,085	–	56,085	58,475	–	58,475
Cost of sales						
– Operating expenses	(22,296)	–	(22,296)	(16,903)	–	(16,903)
– Depreciation and amortisation	(12,475)	–	(12,475)	(15,115)	–	(15,115)
– Impairment charge*	–	–	–	–	(7,327)	(7,327)
<b>Gross profit</b>	<b>21,314</b>	<b>–</b>	<b>21,314</b>	26,457	(7,327)	19,130
General and administrative						
– Depreciation	(631)	–	(631)	(697)	–	(697)
– Other administrative costs	(8,432)	–	(8,432)	(7,111)	–	(7,111)
<b>Operating profit</b>	<b>12,251</b>	<b>–</b>	<b>12,251</b>	18,649	(7,327)	11,322
Finance income	15	–	15	29	–	29
Finance expense	(15,027)	–	(15,027)	(9,678)	–	(9,678)
Expensing of loan facility fees**	–	–	–	–	(1,383)	(1,383)
Gain on disposal of asset	–	–	–	102	–	102
Other (loss)/income	(35)	–	(35)	58	–	58
Foreign exchange gain, net	259	–	259	1,856	–	1,856
<b>(Loss)/profit before taxation</b>	<b>(2,537)</b>	<b>–</b>	<b>(2,537)</b>	11,016	(8,710)	2,306
<b>Taxation charge</b>	<b>(1,867)</b>	<b>–</b>	<b>(1,867)</b>	(1,595)	–	(1,595)
<b>Net (loss)/profit after taxation</b>	<b>(4,404)</b>	<b>–</b>	<b>(4,404)</b>	9,421	(8,710)	711
<b>(Loss)/profit attributable to</b>						
Owners of the Company	(4,973)	–	(4,973)	9,175	(8,710)	465
Non-controlling interests	569	–	569	246	–	246
<b>(Loss)/earnings per share</b>	<b>(1.42)</b>	<b>–</b>	<b>(1.42)</b>	2.63	(2.50)	0.13
<b>Supplementary non-statutory information</b>						
Operating profit	12,251	–	12,251	18,649	(7,327)	11,322
Add: Depreciation and amortisation charges	13,106	–	13,106	15,812	–	15,812
<b>Non-GAAP EBITDA</b>	<b>25,357</b>	<b>–</b>	<b>25,357</b>	34,461	(7,327)	27,134

\* The impairment charge on one Small Class vessel being non-operational in nature has been added back to net profit to arrive at adjusted net profit in June 2017.

\*\* The expensing of unamortised commitment fees for a capex facility that was cancelled in June 2017, being non-operational in nature, has been added back to profit before taxation to arrive at adjusted profit in June 2017.

## FINANCIAL STATEMENTS CONTINUED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2018 continued

#### 5 Taxation

Tax is charged at 73.6% for the six months ended June 2018 (2017: 69.2%) 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\$ 1.2 million (six months ended June 2017: US\$ 0.6 million).

#### 6 (Loss)/earnings per share

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share being (loss)/profit for the period attributable to owners of the parent (US\$'000)	<b>(4,973)</b>	465	(18,565)
(Loss)/earnings for the purpose of adjusted basic and diluted (loss)/earnings per share (US\$'000) (see note 4)	<b>(4,973)</b>	9,175	4,395
Weighted average number of shares ('000)	<b>349,821</b>	349,528	349,614
Weighted average diluted number of shares ('000)	<b>349,821</b>	354,542	349,614
Basic (loss)/earnings per share (cents)	<b>(1.42)</b>	0.13	(5.31)
Diluted (loss)/earnings per share (cents)	<b>(1.42)</b>	0.13	(5.31)
Adjusted (loss)/earnings per share (cents)	<b>(1.42)</b>	2.63	1.26
Adjusted diluted (loss)/earnings per share (cents)	<b>(1.42)</b>	2.59	1.26

Basic (loss)/earnings per share is calculated by dividing the (loss)/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.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/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 (loss)/earnings per share is calculated on the same basis but uses adjusted (loss)/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 2018 000's	30 June 2017 000's	31 December 2017 000's
Weighted average basic number of shares in issue	<b>349,821</b>	349,528	349,614
Effect of share options under LTIP schemes	–	5,014	–
Weighted average diluted number of shares in issue	<b>349,821</b>	354,542	349,614



## 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
<b>Cost</b>						
<b>Balance as at 1 January 2018</b>	<b>909,973</b>	<b>10,398</b>	<b>10,425</b>	<b>48,435</b>	<b>3,649</b>	<b>982,880</b>
Additions	–	14,398	–	–	–	14,398
Transfers	15,386	(15,477)	–	91	–	–
<b>Balance as at 30 June 2018</b>	<b>925,359</b>	<b>9,319</b>	<b>10,425</b>	<b>48,526</b>	<b>3,649</b>	<b>997,278</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 January 2018</b>	<b>161,905</b>	–	<b>6,194</b>	<b>7,180</b>	<b>3,101</b>	<b>178,380</b>
Depreciation expense	11,068	–	486	33	226	11,813
<b>Balance as at 30 June 2018</b>	<b>172,973</b>	–	<b>6,680</b>	<b>7,213</b>	<b>3,327</b>	<b>190,193</b>
<b>Net book value as at 30 June 2018</b>	<b>752,386</b>	<b>9,319</b>	<b>3,745</b>	<b>41,313</b>	<b>322</b>	<b>807,085</b>
	Vessels US\$'000	Assets under construction US\$'000	Land, building and improvements US\$'000	Vessel spares US\$'000	Others US\$'000	Total US\$'000
<b>Cost</b>						
<b>Balance as at 1 January 2017</b>	<b>896,890</b>	<b>108,339</b>	<b>10,299</b>	<b>14,964</b>	<b>4,545</b>	<b>1,035,037</b>
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)
<b>Balance as at 31 December 2017</b>	<b>909,973</b>	<b>10,398</b>	<b>10,425</b>	<b>48,435</b>	<b>3,649</b>	<b>982,880</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 January 2017</b>	<b>166,595</b>	–	<b>5,229</b>	<b>7,327</b>	<b>3,488</b>	<b>182,639</b>
Eliminated on disposals 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
<b>Balance as at 31 December 2017</b>	<b>161,905</b>	–	<b>6,194</b>	<b>7,180</b>	<b>3,101</b>	<b>178,380</b>
<b>Net book value as at 31 December 2017</b>	<b>748,068</b>	<b>10,398</b>	<b>4,231</b>	<b>41,255</b>	<b>548</b>	<b>804,500</b>

\* 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 2017 of US\$ 1.8 million and an insurance claim receivable of US\$ 1.7 million which was received in 2018.

## FINANCIAL STATEMENTS CONTINUED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2018 continued

#### 8 Trade and other receivables

	30 June 2018 US\$'000	31 December 2017 US\$'000
Trade receivables	31,683	12,257
Accrued income	6,514	1,469
Prepayments and deposits	3,511	2,343
Insurance receivable	–	1,792
Advances to suppliers	306	123
VAT receivable	329	186
Other receivables	478	253
Due from related parties	–	70
<b>Total</b>	<b>42,821</b>	<b>18,493</b>

#### 9 Share capital

Share capital as at 30 June 2018 amounted to US\$ 58.0 million (31 December 2017: US\$ 58.0 million). On 12 April 2018, the Company issued a total of 263,905 shares at par value of 10 pence per share in respect of the Company's 2015 Long-Term Incentive Plan (LTIP).

#### 10 Share option reserve

Share based expenses for the period of US\$ 0.5 million (31 December 2017: US\$ 0.8 million) relate to awards granted to employees under the Group's LTIP. The charge is included in cost of sales and, general and administrative expenses in the statement of comprehensive income.

#### 11 Borrowings

Bank borrowings relate to the bank facility provided by a group of six banks, which comprises of term loans and amounts available under revolving working capital facilities.

	30 June 2018 US\$'000	31 December 2017 US\$'000
<b>Current</b>		
Bank borrowings	18,887	20,269
<b>Non-current</b>		
Bank borrowings	401,377	391,514
<b>Total borrowings</b>	<b>420,264</b>	<b>411,783</b>

The Group's facility amortises quarterly with final maturity in December 2023.

The Group entered into an interest rate swap in June 2018 converting variable interest rate exposure into fixed rate obligations (see note 14).

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

	30 June 2018 US\$'000	31 December 2017 US\$'000
Working capital facility	50,000	50,000
Less: Drawdown	(20,000)	–
<b>Undrawn committed loan facility</b>	<b>30,000</b>	<b>50,000</b>

Net debt during the period was as follows:

	30 June 2018 US\$'000	31 December 2017 US\$'000
Bank borrowings	420,264	411,783
Less: Cash at bank and in hand	(10,402)	(38,954)
<b>Total</b>	<b>409,862</b>	<b>372,829</b>

## 12 Notes to the cash flow statement

	Six months ended 30 June		Year ended 31 December 2017
	2018 US\$'000	2017 US\$'000	2017 US\$'000
<b>(Loss)/profit for the year before taxation</b>	<b>(2,537)</b>	2,306	(18,320)
Adjustments for:			
Depreciation of property, plant and equipment	<b>11,813</b>	13,942	28,378
Amortisation of dry docking expenditure	<b>1,293</b>	1,869	3,513
Impairment charge	–	7,327	7,327
End of service benefits charge	<b>333</b>	346	648
End of service benefits paid	<b>(974)</b>	(325)	(641)
Recovery of doubtful debts	–	(1,537)	(1,367)
Expected credit loss	<b>120</b>	–	–
(Gain)/loss on disposal of property, plant and equipment	–	(102)	575
Share options rights charge	<b>539</b>	175	791
Interest income	<b>(15)</b>	(29)	(47)
Interest expense	<b>14,504</b>	9,138	22,068
Write-off of unamortised loan facility fees	–	1,383	11,021
Costs to acquire new bank facility	–	–	5,891
Fair value gain on financial liabilities held at amortised cost	–	–	(1,279)
Other loss/(income)	<b>35</b>	(58)	(75)
Amortisation of issue costs	–	540	1,259
<b>Cash flow from operating activities before movement in working capital</b>	<b>25,111</b>	34,975	59,742
(Increase)/decrease in trade and other receivables	<b>(25,758)</b>	(9,619)	8,545
Decrease in trade and other payables	<b>(7,186)</b>	(11,996)	(13,261)
<b>Cash (used in)/generated from operations</b>	<b>(7,833)</b>	13,360	55,026
Taxation (paid)/received	<b>(369)</b>	(467)	1,247
<b>Net cash (used in)/generated from operating activities</b>	<b>(8,202)</b>	12,893	56,273

## FINANCIAL STATEMENTS CONTINUED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2018 continued

#### 13 Capital commitments

Capital commitments as at 30 June 2018 were US\$ 3.0 million (31 December 2017: US\$ 0.3 million) comprising mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or contract specific vessel modifications.

#### 14 Fair value measurement of financial instruments

The Group entered into an interest rate swap on 30 June 2018 converting variable interest rate exposure into fixed rate obligations. The Group has designated this derivative as a cash flow hedge. As at 30 June 2018 the fair value of the financial instrument was US\$ nil.

For the purpose of applying hedge accounting, cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.

The effective portion of changes in the fair value of the interest rate swap that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

The fair value measurement of the derivative financial instrument has 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.

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.

#### 15 Events after the reporting period

There have been no events subsequent to 30 June 2018 for disclosure.

## DIRECTORS' RESPONSIBILITY STATEMENT

Financial information for the period ended 30 June 2018.

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 party transactions and changes therein).

By order of the Board

**Duncan Anderson**

Chief Executive Officer  
3 September 2018

**John Brown**

Chief Financial Officer  
3 September 2018

# INDEPENDENT REVIEW REPORT TO GULF MARINE SERVICES PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement 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 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 Financial Reporting Council. 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 Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this 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 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 Financial Reporting Council 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 International Standards on Auditing (UK) 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 financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

## Material uncertainty related to going concern

We draw attention to note 2 in the condensed set of financial statements, which indicates the dependence of the Group on future contract awards that make a sufficient contribution to proforma EBITDA and in a timeframe that enables the Group to comply with financial covenants attached to its credit facilities. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## Deloitte LLP

Statutory Auditor  
Aberdeen, United Kingdom  
3 September 2018

## GLOSSARY

**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.

**Board** – the Directors of the Company.

**Company** – Gulf Marine Services PLC.

**EPC** – engineering, procurement and construction.

**GMS** – the Gulf Marine Services Group.

**GMS core fleet** – consists of 13 SESVs, with an average age of seven years, which excludes the 36-year-old vessel Naashi.

**Group** – the Company and its subsidiaries.

**Gulf Capital** – Gulf Capital PJSC's shareholding in GMS was held by its subsidiary Green Investment Commercial Investments LLC.

**IFRS** – International Financial Reporting Standards.

**IOCs** – International Oil Companies.

**LIBOR** – London Interbank Offered Rate.

**MENA** – Middle East and North Africa.

**NOCs** – National Oil Companies.

**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).

**Secured 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.

**SESV** – self-elevating support vessel.

**Total Recordable Injury Rate** – calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.

**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, excluding periods during which an SESV is not available for hire due to planned mobilisations, construction or upgrade work.

## GLOSSARY CONTINUED

**Alternative Performance Measures (APMs)** – refer to 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 the impairment charges, and finance costs relating to amendments to bank facilities in 2017. 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 4.

**Adjusted EBITDA** – represents operating profit after adding back depreciation, amortisation and impairment charges in 2017. 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 4.

**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 in 2017. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in note 4.

**Adjusted net profit** – represents net profit after adding back impairment charges, and finance costs relating to amendments to bank facilities in 2017. 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 period to period. A reconciliation of this measure is provided in note 4.

**EBITDA** – represents Earnings before Interest, Tax, Depreciation and Amortisation, which represents operating profit after adding back depreciation and amortisation in 2017. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in note 4.

**Segment adjusted gross profit/loss** – represents gross profit/loss after adding back depreciation, amortisation and impairment charges in 2017. 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.



# NOTES

# NOTES

# CORPORATE INFORMATION

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## Board of Directors

**Simon Heale**  
Independent Non-Executive Chairman

## Duncan Anderson

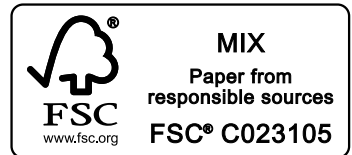
Chief Executive Officer

## Simon Batey

Senior Independent Non-Executive Director

## W. Richard Anderson

Independent Non-Executive Director



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