GMS
OFFSHORE CONTRACTOR

SOLID PERFORMANCE IN CHALLENGING MARKET CONDITIONS

Gulf Marine Services PLC
Interim Report 2016

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

Financial Highlights

- Solid first half for 2016, with EBITDA of US$ 70.7 million (EBITDA margin 64%).
- Adjusted net profit for the period up 20% to US$ 41.9 million, adjusted earnings per share increased 21% to 12.00 cents.
- Group net debt at 30 June 2016 of US$ 371.4 million (excluding obligations under finance leases of US$ 41.5 million).
- Agreed amendment to bank facility permitting the maximum net leverage ratio to be 5 times EBITDA up to 1 July 2018, with committed undrawn bank facilities of US$ 175.0 million.
- Impairment of US$ 14.2 million for non-core assets (two anchor tug supply vessels and an accommodation barge).
- Interim dividend held constant at 0.41 pence (0.54 cents) per share.

Operational Highlights

- SESV utilisation of 89% in H1 2016, with overall healthy charter rates for the period.
- New 12-month contract (including options) for Mid-Size Class vessel in the MENA region (awarded in August 2016).
- 12-month contract extension confirmed for a Small Class vessel in the MENA region, with a one-year option period remaining.
- Letter of Intent signed for new 18-month contract (including options) for Large Class vessel in Europe.
- Challenging business environment with three contracts terminated early, and a two-year option period on a further contract not exercised.
- Relocation to new yard facility completed. Construction of Large Class vessel GMS Evolution, within budget and on schedule for delivery Q4 2016, completes the new build programme; no current plans to expand the fleet further.
- New build Mid-Size Class vessel completed on time and within budget, delivered Q1 2016 to inaugural charter in the MENA region.
- Development and construction of pioneering cantilever systems for vessels progressing as planned.
- Continued strong safety performance.

The above highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 4 to the condensed consolidated financial statements.

Guidance

- No change to previous guidance, with the Group currently expecting 2016 EBITDA to be US$ 100 – 110 million, equivalent to an EBITDA margin in the high 50% range, with 2016 earnings per share of 14.5 – 15.5 cents anticipated.
- Secured backlog of US$ 170.5 million as at 31 August 2016 comprising US$ 77.8 million firm and US$ 92.7 million extension options.
- Year end net debt is expected to be around US$ 395.0 million (excluding obligations under finance leases of approximately US$ 40.0 million) and reducing thereafter.
- GMS is well-positioned to capture additional work when the market resumes higher levels of activity. Seeing tender opportunities in the MENA region and Europe for clients focused on production.
- The Group has implemented cost-savings initiatives and will continue to manage its cost base appropriately.

CONTENTS

Highlights	IFC
GMS at a Glance	2
Chief Executive's Review	4
Financial Review	8
Financial Statements	12
Glossary of Principal Terms	31
Corporate Information	IBC

A WORLD LEADER IN SESVs

About Us

GMS was established in the UAE in 1977 and has successfully expanded its fleet and geographical coverage, from a local operation in Abu Dhabi to become the number one player in the Middle East, and is now the largest operator of advanced self-propelled self-elevating support vessels (SESVs) in the world. The Group listed on the London Stock Exchange in March 2014.

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

The Group constructs and maintains its vessels at its yard in Abu Dhabi; its extensive new build programme in recent years has made the GMS fleet the most sophisticated in the industry. The current fleet of SESVs comprises 14 vessels; GMS will increase this to 15 vessels by the end of 2016.

Our Offering

The Group's SESV fleet is technically advanced and amongst the youngest in the industry, with an average age of seven years. The SESVs are four-legged vessels that move independently, with no requirement for anchor handling or tug support. They have a large deck space, crane capacity and accommodation facilities that can be adapted to the requirements of the Group's clients.

These vessels support GMS' clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine

Three classes of vessels serve a range of client needs

Large Class

- 3 units + 1 to be delivered Q4 2016
- Average age: 4 years
- Water depth: 65–80m
- Accommodation for up to 300 people
- Harsh weather capable

Mid-Size Class

- 3 units
- Average age: delivered in 2015 & 2016
- Water depth: 55m
- Accommodation for up to 300 people
- Harsh weather capable

Small Class

- 8 units
- Average age: 11 years (8 years excl Naashi)
- Water depth: 45m
- Accommodation for up to 300 people

maintenance work (which are opex-led activities) and offshore oil and gas platform installation and offshore wind turbine installation (which are capex-led activities).

Adding Value for our Clients

The Group continually seeks ways to enhance its offering and this year (2016) will see the introduction of the first cantilever systems to its fleet. The installation of a cantilever on its SESVs will enable GMS to deliver a wider range of well services from the vessels and will allow the Group to compete for workover activity previously only able to be carried out from expensive jackup drilling rigs.

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

GMS Fleet of SESVs

Large Class Vessels	Year of Delivery
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
Kinoa	2012
Keloa	2009
Kudeta	2008
Kawawa	2006
Kikuyu	2005
Kamikaze	1999
Naashi	1982

The Group delivered a solid performance for the first half of 2016, growing revenue by 12% and adjusted net profit by 20% compared to H1 2015.

Duncan Anderson
Chief Executive Officer

The Group delivered a solid performance for the first half of 2016, growing revenue by 12% and adjusted net profit by 20% compared to H1 2015. EBITDA has increased by 18% on the comparative period to US$ 70.7 million, with an EBITDA margin of 64%, together with an SESV utilisation rate of 89%. However, revenues and profits for the period were down on H2 2015 as we continued to address the market downturn. We have taken steps to significantly reduce our cost base. Cost-cutting initiatives across the Group have included efficiencies in our supply chain, crew costs and overhead base (primarily through reorganisation and rationalisation).

The market outlook remains uncertain. As we reported earlier this year, the national oil company (NOC) clients in the Middle East have sought to implement cost-saving measures to address the sustained low oil price environment. This has involved corporate restructuring across their own businesses and the pursuit of supply chain efficiencies. As a result, three of our contracts have been terminated early, with these vessels expected to come off charter in Q3 and Q4 2016. A further two-year option period on another contract has not been exercised. The secured backlog, which reflects the above charter updates, as at 31 August 2016 is US$ 170.5 million (US$ 77.8 million firm, US$ 92.7 million options).

Against this backdrop, we are pleased to report a new contract for 12 months (including options) was awarded in August 2016 for one of our Mid-Size Class vessels supporting a MENA-based NOC. In addition, a contract extension was confirmed for one of our Small Class vessels chartered to a different MENA-based NOC. The extended period, which has already commenced, is for 12 months, with a further one-year option period remaining. Furthermore, we announced that a letter of Intent has been signed for the charter of a Large Class vessel to support maintenance work in the oil and gas sector in Europe. The contract would commence in mid-2017 with a duration of 18 months (including options). In Europe, two of our Large Class vessels are continuing on long-term contracts in the Southern North Sea. Tender opportunities continue in both the MENA region and Europe.

We have been enhancing our offering as part of our strategy to navigate through the current industry downturn and to diversify our services for our longer term growth. We have made excellent progress this year on the development of pioneering cantilever systems for our vessels that will broaden significantly the scope of work opportunities for GMS. Further detail is provided in the Operations commentary.

I would like to thank all our staff at GMS for their hard work; their commitment throughout these challenging times being faced by our industry is highly valued.

Operations

Health, safety and the environment continue to be our top priority. The total number of man hours worked was 3.3 million in H1 2016 (4.4 million man hours in H1 2015). The Total Recordable Injury Rate was 0.06 in H1 2016 with no lost time injuries (0.23 in H1 2015 when two lost time injuries were sustained).

Utilisation of the SESV fleet for the first half of the year was 89%, although this is anticipated to decrease in H2 2016 as contracts for certain vessels expire and as we transition from old to new contracts in future. SESVs that are off hire are warm stacked, meaning the vessel retains a minimal crew and all systems are maintained in readiness for rapid deployment. We warm stack our vessels in MENA at our construction and maintenance yard in Abu Dhabi at a much lower cost compared to our peers who rely on third party shipyards and ports, at around US$ 2,000 per vessel per day. The Group continues to maintain a very high focus on asset integrity and marine assurance and this is reflected in us only having one day of technical downtime amongst our fleet of chartered vessels during H1 2016.

Cost reduction initiatives

Estimated annualised savings in operating expenditure of around US$ 5.0 million have been identified and implemented through a series of vendor discounts and by achieving improved operational efficiencies. A reduction in crew headcount and salary costs should deliver a further US$ 3.0 million of annualised savings. These combined cost saving initiatives are anticipated to reduce the annualised cash operating costs of our vessels by more than 10%. There has also been a focus on our overhead base (again including salary reductions and rationalisations) which are expected to deliver a reduction in excess of 15% of our cash general and administrative expenses on an annualised basis.

Expansion of services

We have recently supplied pumping and cementing services to certain clients and this is an excellent precursor to introducing our new low cost cantilever concept in 2017. The significant investment made by GMS in designing and constructing our cantilever systems is a major development that will allow us to deliver our existing well intervention services more efficiently and to provide a greater range of services from our vessels. GMS will also be competing for workover activity that was previously only able to be carried out from jackup drilling units.

We are very encouraged to see significant interest from existing and potential clients in our enhanced offering as they learn about the increased operational efficiency and cost-benefits we can deliver compared to traditional drilling rigs. A Large Class vessel with a well workover cantilever will be ready to commence operations from Q1 2017 onwards.

In-house build, maintenance and modification

The Group continues to benefit from the competitive advantage that our well-established in-house facility provides, which allows us to modify and maintain our vessels much more cost-effectively than our peers who rely on third party shipyards.

The SESV new build programme, which will have increased the fleet size from nine vessels in 2014 to 15 vessels, will be complete at the end of 2016. The Mid-Size Class GMS Sharqi was delivered in Q1 2016 within budget and on schedule. The final SESV, the Large Class GMS Evolution, is also within budget and will be delivered at the end of the year, ready for operations from Q1 2017 onwards. There are no current plans to increase the fleet beyond this and the new build team will be scaled down accordingly after the completion of GMS Evolution. Any future expansion will be on a vessel-by-vessel basis, and will be driven by our assessment of the factors affecting market demand.

Finance

The Group has delivered a good first half year trading performance. We have also focused on preserving a financially sound balance sheet and controlling our cost base. Cost cutting initiatives across the business, which have included efficiencies and economies in our supply chain, crew costs and overhead base (primarily through reorganisation and rationalisation), have allowed us to deliver a good EBITDA margin of 64% in H1 2016. We expect to achieve a full year EBITDA margin in the high 50% range.

The Group has conducted a full impairment review of its fixed assets. No impairments are required of our core SESV fleet, reflecting the low original self-construction cost and the outlook for the Group's end-markets over the medium term. Our non-core assets (two anchor tug supply vessels and an accommodation barge) have been impaired. In the current market environment the assessed recoverable amount of these assets is lower than the book value and an impairment charge of US$ 14.2 million has been recorded in the income

statement (the remaining book value of the assets has been reduced to approximately US$ 2.0 million).

An interim dividend of 0.41 pence per ordinary share has been declared by the Board of Directors and is payable on 3 October 2016 to shareholders on the register at 9 September 2016.

Market commentary and outlook

The market outlook remains challenging and somewhat unpredictable. Whilst oil prices have recovered by more than 50% since January, this has not been matched by a recovery in demand for our services and the Group's visibility will remain reduced until a fuller confidence in market recovery takes hold. Tender opportunities continue in the MENA region and Europe, notably for clients focused on production.

Despite sustained pressure on pricing, our SESVs continue to offer the most cost-efficient offshore solutions for our clients seeking to extract maximum value from their assets while minimising costs. While utilisation for our SESVs remains paramount, we will continue to manage our costs appropriately to maintain a stable balance sheet, with cash conservation and deleveraging continuing to be key priorities.

We continue to expect 2016 EBITDA to be US$ 100 – 110 million, with 2016 earnings per share of 14.5 – 15.5 cents expected. Year end net debt is expected to be around US$ 395.0 million (excluding obligations under finance leases of approximately US$ 40.0 million) and reducing thereafter. As previously announced, we have agreed an amendment to our bank facility that permits the maximum net debt ratio to be 5 times EBITDA up to 1 July 2018.

I remain confident that our state-of-the-art fleet, flexibility and leading operational expertise will give us a competitive advantage over other market participants, with GMS well-positioned to capture additional work when the market resumes higher levels of activities.

Duncan Anderson
Chief Executive Officer
30 August 2016

GMS cantilever systems – ready for operations Q1 2017

Financial Results Summary

(US$ million)	H1 2016	H1 2015
Revenue	**110.4**	98.2
Adjusted gross profit[1]	**67.2**	58.2
EBITDA[2]	**70.7**	60.1
Net profit	**27.8**	35.0
Adjusted net profit[1]	**41.9**	35.0
Adjusted earnings per share (US cents)[2]	**12.00**	9.95
Interim dividend per share (pence)	**0.41**	0.41

1. After adding back non-cash impairment charges of US$ 14.2 million on non-core vessels in 2016.
2. EBITDA represents operating profit after adding back depreciation, impairment and amortisation.

Introduction

The Group delivered a solid set of results for the first half of 2016 with revenue increasing by 12% to US$ 110.4 million (H1 2015: US$ 98.2 million) and EBITDA increasing by 18% to US$ 70.7 million (H1 2015: US$ 60.1 million). Adjusted net profit after taxation for H1 2016 increased by 20% to US$ 41.9 million (H1 2015: US$ 35.0 million) while adjusted earnings per share increased by 21% to 12.00 cents (H1 2015: 9.95 cents).

The Group is focused on managing its cost base and has been implementing a number of cost saving initiatives across the business which have included efficiencies and economies in both our supply chain and overhead base. These cost saving measures have helped to deliver an EBITDA margin of 64% in the period (H1 2015: 61%). The Group will continue to focus on managing our costs.

GMS continues to have a sound financial position and a healthy balance sheet. At 30 June 2016 there were undrawn committed bank facilities of US$ 175.0 million (31 December 2015: US$ 225.0 million). The net debt level (being bank borrowings less cash) increased to US$ 371.4 million at the period end (31 December 2015: US$ 304.3 million) primarily as a result of the continued investment in the new build programme. The net debt level at 30 June 2016 excludes finance lease obligations of US$ 41.5 million relating to a leased vessel that the Group holds an option to acquire, exercisable in August 2017, that it has not committed to. The Group's net leverage ratio was 2.8 times EBITDA at the end of the period (31 December 2015: 2.9 times EBITDA).

Total capital expenditure for H1 2016 was US$ 68.4 million (H1 2015: US$ 136.4 million). The main area of investment was additions to assets under the course of construction (capital work in progress) which includes expenditure on construction of new build vessels as well as the development of the new cantilever systems.

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 4.

Revenue and segmental profit

Revenue increased by 12% to US$ 110.4 million in H1 2016 (H1 2015: US$ 98.2 million) although reduced by less than 10% compared to H2 2015. The increase in revenue in H1 2016 compared to H1 2015 reflects the increase in the number of vessels in the SESV fleet together with both high utilisation of 89% (H1 2015: 98%) and overall healthy charter day rates during the period.

The Small Class vessel segment made the largest contribution to Group revenue with US$ 52.0 million (H1 2015: US$ 53.6 million). Revenue contribution from Large Class vessels was US$ 39.0 million (H1 2015: US$ 41.9 million), US$ 18.5 million for Mid-Size Class vessels (H1 2015: US$ 0.2 million) and US$ 0.9 million for Other vessels (H1 2015: US$ 2.5 million). The segment profit, being gross profit excluding impairment and depreciation, was US$ 39.0 million (H1 2015: US$ 39.0 million) for Small Class vessels, US$ 30.9 million (H1 2015: US$ 30.2 million) for Large Class vessels, US$ 12.8 million for Mid-Size Class vessels (H1 2015: US$ 0.1 million). There was a loss recorded in the Other vessels segment of US$ 0.05 million (H1 2015: US$ 0.5 million profit).

The secured backlog as at 31 August 2016 was US$ 170.5 million comprising firm and option periods. When negotiating terms with customers the Group maintains a balance between profitability and revenue visibility through contracted backlog and is focused on maximising utilisation levels.

Cost of sales and general and administrative expenses

The Group has a relatively predictable operating cost base, which is kept under constant review to ensure management of costs is maintained. Cost of sales excluding impairment charges discussed below increased by 8% to US$ 43.1 million (H1 2015: US$ 40.0 million) primarily reflecting the addition of one new vessel to the fleet during the period. Cost of sales, excluding depreciation, amortisation and impairment charges, expressed as a percentage of revenue decreased to 25% (H1 2015: 29%). General and administrative expenses were US$ 12.7 million in H1 2016 (H1 2015: US$ 10.3 million).

The Group is focused on managing its cost base and has been implementing a number of cost saving initiatives across the business. A considerable amount of future cost savings have been implemented, as discussed more fully in the CEO Review. These cost saving initiatives are anticipated to deliver a significant reduction in the cash operating costs of our vessels, and in our general and administrative expenses, on an annualised basis.

The Group has conducted a full impairment review of its fixed assets as at 30 June 2016. There were no impairments required on the Group's core SESVs. The Group's non-core assets (two anchor tug supply vessels and an accommodation barge) have been impaired. In the current market environment the assessed recoverable amount of these assets is lower than the book value and an impairment charge of US$ 14.2 million has been recorded in the income statement (the remaining carrying value of the assets is approximately US$ 2.0 million).

EBITDA

EBITDA for the year increased by 18% to US$ 70.7 million (H1 2015: US$ 60.1 million). The Group's EBITDA margin in H1 2016 was good overall at 64% (H1 2015: 61%). The Group will continue to focus on managing costs to help maximise profitability and EBITDA levels.

Finance costs

Net finance costs in H1 2016 were marginally lower at US$ 10.3 million (H1 2015: US$ 11.2 million), mainly as a result of lower costs of borrowing achieved from the refinancing at the end of 2015. During the period US$ 1.3 million (H1 2015: US$ 2.4 million) of finance costs were capitalised as part of the new build programme as directly attributable costs.

Taxation

The tax charge for the period was US$ 0.4 million (H1 2015: US$ 1.2 million), representing 1.3% of profit for the period before taxation (H1 2015: 3.3 %). The decrease in the effective tax rate arises mainly from a higher weighting of profits being generated in lower or zero rated tax jurisdictions.

Adjusted net profit and earnings per share

The Group recorded an increase in adjusted net profit of 20% in H1 2016 to US$ 41.9 million (H1 2015: US$ 35.0 million). Adjusted net profit has been derived by adding back the non-cash impairment charges of US$ 14.2 million on non-core vessels in 2016.

The adjusted earnings per share increased by 21% to 12.00 cents (H1 2015: 9.95 cents). While, the fully diluted adjusted earnings per share (DEPS) for the six-month period ended 30 June 2016 increased to 11.87 cents (H1 2015: 9.91 cents), a growth of 20%. Adjusted DEPS is calculated based on adjusted profit after tax and a reconciliation between the adjusted and statutory profit, is provided in note 4.

Dividends

An interim dividend of 0.41 pence per ordinary share has been declared by the Board of Directors and is payable on 3 October 2016 to shareholders on the register at 9 September 2016. This interim dividend totalling US$ 1.9 million has not been recognised as a liability in the interim financial statements as it was declared after the balance sheet date.

Capital expenditure

The Group's capital expenditure during the six-month period ended 30 June 2016 was US$ 68.4 million (H1 2015: US$ 136.4 million). The main area of investment was additions to assets under the course of construction (capital work in progress) which includes expenditure on construction of new build vessels as well as the development of the new cantilever systems. During the period a Small Class vessel was acquired for US$ 51.0 million which was previously treated as a finance lease.

Capital expenditure for the remainder of 2016, excluding any working capital movements, is forecast to be approximately US$ 39.6 million, which comprises new build capital expenditure and further enhancements to the cantilever system (including installing mud pumping equipment and the purchase of long lead items for spares). We currently foresee no significant capital expenditure commitments in 2017 and beyond.

Cash flow and liquidity

The Group had good positive net cash flows from operating activities in the period, reflected in a net inflow of US$ 63.9 million (H1 2015: net inflow of US$ 45.9 million). The net cash outflow from investing activities for H1 2016 was US$ 111.6 million (H1 2015 net outflow: US$ 112.7 million). The Group's net cash flow relating to financing activities during the period was an inflow of US$ 19.6 million (H1 2015 net inflow: US$ 58.3 million).

The net debt position as at 30 June 2016 was US$ 371.4 million (excluding obligations under finance leases of US$ 41.5 million), compared to US$ 304.3 million as at 31 December 2015 (excluding obligations under finance leases of US$ 94.6 million). Undrawn committed bank facilities were US$ 175.0 million at period end (31 December 2015: US$ 225.0 million).

The net debt level (being bank borrowings less cash) is expected to increase by year end to approximately US$ 395.0 million and then reduce thereafter as the Group's capital expenditure levels decrease significantly. This year end net debt figure excludes finance lease obligations of approximately US$ 40 million, relating to a leased vessel that the Group has an option to acquire, exercisable in August 2017, that it has not yet committed to.

The Group's net leverage ratio, being the ratio of net debt (including the finance lease obligations defined above) to EBITDA for the preceding 12 months, was 2.8 times at period end (31 December 2015: 2.9 times). In June 2016, the Group agreed to amend its borrowing covenants to increase the maximum permitted leverage ratio from 4.0 times EBITDA to 5.0 times EBITDA. At period end the Group remained in full compliance with all its debt covenants.

Balance sheet

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

Total current assets at 30 June 2016 were US$ 81.4 million (31 December 2015: US$ 120.7 million). This movement is mainly attributable to the decrease in cash and cash equivalents to US$ 32.7 million (31 December 2015: US$ 60.8 million) and a decrease in trade and other receivables to US$ 48.7 million (31 December 2015: US$ 59.9 million). Trade receivables collection periods remain broadly consistent and as anticipated. The decrease in cash balance is mainly attributable to the cash that was used to help fund the purchase of a previously leased Small Class vessel in Q1 2016.

Total current liabilities at 30 June 2016 were US$ 51.1 million (31 December 2015: US$ 110.0 million), the principal movement being the decrease in the current portion of obligations under finance leases to US$ 3.5 million (31 December 2015: US$ 55.0 million) mainly as a result of the Group exercising a purchase option to acquire a previously leased Small Class vessel, partially offset by an increase in the current portion of bank borrowings to US$ 19.1 million (31 December 2015: US$ 17.9 million). There was a reduction in trade and other payables to US$ 26.6 million (31 December 2015: US$ 33.9 million).

The combined effect of the above items was an increase in the Group's working capital and cash balance to US$ 30.3 million at 30 June 2016 (31 December 2015: US$ 10.7 million). Collections of trade receivables continue to be within our anticipated time frames.

Total non-current assets at 30 June 2016 were US$ 842.7 million (31 December 2015: US$ 803.4 million). This increase is primarily attributable to the US$ 39.5 million increase in the net book value of property, plant and equipment, mainly from the ongoing new build programme to expand the fleet. Total non-current liabilities at 30 June 2016 were US$ 426.7 million (31 December 2015: US$ 390.2 million). This increase reflects the loan drawdowns used to help fund the ongoing new build programme.

Shareholders' equity increased from US$ 423.3 million at 31 December 2015 to US$ 445.7 million at 30 June 2016. The movement is mainly attributed to profit earned during the period which was partly offset by the dividend paid of US$ 6.1 million.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In H1 2016 the adjusting item comprised of a non-cash impairment charge on the Group's non-core vessels.

A reconciliation between the adjusted and statutory results is provided in note 4.

Risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance. The Directors do not consider that the principal risks and uncertainties have changed since the last publication of the annual report for the year ended 31 December 2015. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 21 to 23 of the 2015 annual report which is available at 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.
- Commercial – The Group benefits from close commercial relations with a limited number of blue chip clients.
- Health, Safety, Security, Environment and Quality – The Group's operations have an inherent safety risk due to our offshore operations.
- Financial – The Group's success is dependent on its ability to raise finance and service its financial obligations.
- 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.
- Investments – There could be delays in completion, or errors in assessing the impact of new strategic expansion projects or other strategic investments.
- People – The Group's success depends on our ability to attract and retain suitably qualified and experienced personnel.

There has been some macro-economic impact from the referendum which took place on 23 June 2016, in which citizens of the United Kingdom voted by overall majority to exit the EU. It is too early to estimate what the full impact will be on our business. However a continued weaker Pound Sterling may have some effect on our reported earnings from any UK business, as clients in the UK are normally invoiced in sterling.

Independent Review Report
to Gulf Marine Services PLC

We have been engaged by Gulf Marine Services PLC (the "Company") to review the condensed set of consolidated financial statements of the Company and its subsidiaries (the "Group") in the half-yearly financial report for the six months ended 30 June 2016 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 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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

As disclosed in note 2, the annual consolidated financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in 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 consolidated financial statements in the half-yearly financial report based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and
Statutory Auditor
London, United Kingdom
30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	6 months ended 30 June 2016 US$'000	6 months ended 30 June 2015 US$'000	Year ended 31 December 2015 US$'000
Revenue	3	**110,376**	98,196	219,713
Cost of sales		**(43,136)**	(40,031)	(87,491)
Impairment charge	7	**(14,162)**	–	–
Gross profit		**53,078**	58,165	132,222
General and administrative expenses		**(12,683)**	(10,286)	(20,875)
Operating profit		**40,395**	47,879	111,347
Finance income		**42**	286	640
Finance expense		**(10,342)**	(11,525)	(34,134)
Other loss		**(804)**	(200)	(740)
Foreign exchange loss, net		**(1,152)**	(278)	(32)
Profit for the period before taxation		**28,139**	36,162	77,081
Taxation charge for the period	5	**(354)**	(1,178)	(2,058)
Profit for the period		**27,785**	34,984	75,023
Other comprehensive income				
Exchange differences on translating foreign operations*		**(122)**	(295)	(817)
Total comprehensive income for the period		**27,663**	34,689	74,206
Profit attributable to:				
Owners of the Company		**27,796**	34,770	74,776
Non-controlling interests		**(11)**	214	247
		27,785	34,984	75,023
Total comprehensive income attributable to:				
Owners of the Company		**27,674**	34,475	73,959
Non-controlling interest		**(11)**	214	247
		27,663	34,689	74,206
Earnings per share				
Basic (cents per share)	6	**7.95**	9.95	21.39
Diluted (cents per share)	6	**7.86**	9.91	21.25

*May be reclassified subsequently to profit or loss.

Results in each period are derived from continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2016

	Notes	30 June 2016 US$'000	31 December 2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**835,760**	796,261
Intangibles		**187**	375
Dry docking asset		**6,384**	6,510
Fixed assets prepayments		**332**	261
Total non-current assets		**842,663**	803,407
Current assets			
Cash and bank balances		**32,723**	60,834
Trade and other receivables	8	**48,727**	59,876
Total current assets		**81,450**	120,710
Total assets		**924,113**	924,117
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**57,929**	57,929
Share premium		**93,075**	93,075
Group restructuring reserve		**(49,710)**	(49,710)
Restricted reserve		**272**	272
Capital contribution		**9,177**	9,177
Share option reserve	9	**2,304**	1,409
Translation reserve		**(759)**	(637)
Retained earnings		**333,414**	311,760
Equity attributable to the owners of the Company		**445,702**	423,275
Non-controlling interest		**617**	628
Total equity		**446,319**	423,903

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2016 continued

	Notes	30 June 2016 US$'000	31 December 2015 US$'000
Non-current liabilities			
Bank borrowings	10	**385,033**	347,253
Obligations under finance leases	10	**38,014**	39,577
Provision for employees' end of service benefits		**3,614**	3,391
Deferred tax liability		**13**	13
Total non-current liabilities		**426,674**	390,234
Current liabilities			
Trade and other payables		**26,628**	33,883
Current tax liability		**1,893**	3,208
Bank borrowings	10	**19,060**	17,863
Obligations under finance leases	10	**3,539**	55,026
Total current liabilities		**51,120**	109,980
Total liabilities		**477,794**	500,214
Total equity and liabilities		**924,113**	924,117

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2016

	Share capital US$'000	Share premium US$'000	Restricted reserve US$'000
Balance at 1 January 2016	57,929	93,075	272
Total comprehensive income for the period	–	–	–
Share options rights charge	–	–	–
Dividends paid during the period	–	–	–
Balance at 30 June 2016	**57,929**	**93,075**	**272**
Balance at 1 January 2015	57,929	93,247	272
Total comprehensive income for the period	–	–	–
Share issue costs	–	(172)	–
Share options rights charge	–	–	–
Acquisition of interest in joint venture	–	–	–
Dividends paid during the period	–	–	–
Balance at 30 June 2015	**57,929**	**93,075**	**272**

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

Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
(49,710)	1,409	9,177	(637)	311,760	423,275	628	423,903
–	–	–	(122)	27,796	27,674	(11)	27,663
–	895	–	–	–	895	–	895
–	–	–	–	(6,142)	(6,142)	–	(6,142)
(49,710)	**2,304**	**9,177**	**(759)**	**333,414**	**445,702**	**617**	**446,319**
(49,437)	563	9,177	180	246,631	358,562	610	359,172
–	–	–	(295)	34,770	34,475	214	34,689
–	–	–	–	–	(172)	–	(172)
–	713	–	–	–	713	–	713
–	–	–	–	(1,817)	(1,817)	(228)	(2,045)
–	–	–	–	(5,624)	(5,624)	–	(5,624)
(49,437)	**1,276**	**9,177**	**(115)**	**273,960**	**386,137**	**596**	**386,733**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2016

	6 months ended 30 June		Year ended 31 December
	2016 US$'000	2015 US$'000	2015 US$'000
Net cash from operating activities (note 11)	**63,867**	45,927	124,960
Investing activities			
Payments for property, plant and equipment	**(109,690)**	(112,114)	(184,403)
Proceeds from disposal of property, plant and equipment	**55**	3	768
Movement in capital advances	**(71)**	750	489
Dry docking expenditure incurred	**(1,895)**	(1,836)	(7,320)
Movement in pledged deposits	**–**	266	299
Movement in guarantee deposits	**–**	(84)	(247)
Interest received	**42**	286	640
Net cash used in investing activities	**(111,559)**	(112,729)	(189,774)
Financing activities			
Bank borrowings received	**75,000**	85,000	485,000
Share issue costs paid	**–**	(172)	(172)
Repayment of bank borrowings	**(34,771)**	(6,500)	(370,500)
Interest paid	**(11,610)**	(12,111)	(25,832)
Payment on obligations under finance lease	**(2,050)**	(2,257)	(4,628)
Dividends paid	**(6,142)**	(5,624)	(7,831)
Payment of issue costs on borrowings	**(846)**	–	(9,921)
Net cash generated from financing activities	**19,581**	58,336	66,116
Net (decrease)/increase in cash and cash equivalents	**(28,111)**	(8,466)	1,302
Cash and cash equivalents at the beginning of the period	**60,834**	59,532	59,532
Cash and cash equivalents at the end of the period	**32,723**	51,066	60,834

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 2016

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2016 were authorised for issue on 30 August 2016. 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 2015, 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 2015 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 21 March 2016. 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 2015 has been delivered to the Registrar of Companies.

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

The condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2015. In addition, results for the six-month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. The condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2016 is not affected significantly by seasonality of results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2016 continued

2 Basis of preparation continued

Going concern

The Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and has in place a committed capex facility of US$ 175.0 million, of which US$ 50.0 million has been drawn, to help fund its capital expenditure programme, and a committed working capital facility of US$ 50.0 million (see note 10).

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

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 as disclosed in the Annual Report, except for the adoption of new standards and interpretations effective as of 1 January 2016.

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

- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception.*
- Amendments to IAS 1 *Disclosure Initiative.*
- Annual Improvements to IFRSs: 2012-2014 Cycle *Annual Improvements to IFRSs: 2012-2014 Cycle.*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements.*
- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations.*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation.*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants.*

3 Segment reporting

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

	Revenue			Segment profit		
	6 months ended 30 June		31 December	6 months ended 30 June		31 December
	2016 US$'000	2015 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2015 US$'000
Small Class vessels	**51,981**	53,595	114,468	**38,969**	38,961	82,667
Mid-Size Class vessels	**18,450**	250	14,459	**12,838**	143	10,120
Large Class vessels	**39,042**	41,865	86,390	**30,942**	30,217	64,646
Other vessels	**903**	2,486	4,396	**(47)**	495	880
Total	**110,376**	98,196	219,713	**82,702**	69,816	158,313
Less:						
Depreciation charged to cost of sales				**(13,441)**	(10,968)	(22,467)
Amortisation charged to cost of sales				**(2,021)**	(683)	(3,624)
Impairment charge				**(14,162)**	–	–
Gross profit				**53,078**	58,165	132,222
General and administrative expenses				**(12,683)**	(10,286)	(20,875)
Finance income				**42**	286	640
Finance expense				**(10,342)**	(11,525)	(34,134)
Other income				**64**	123	305
Loss on disposal of asset				**(868)**	(323)	(1,045)
Loss on exchange				**(1,152)**	(278)	(32)
Profit before taxation				**28,139**	36,162	77,081

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in each of the periods. There has been no change in the basis of segmentation or the basis of measurement of segment profit or loss in the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2016 continued

4 Presentation of adjusted results

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

	6 months ended 30 June 2016			6 months ended 30 June 2015		
	Adjusted results US$'000	Adjusting items US$'000	Statutory total US$'000	Adjusted results US$'000	Adjusting items US$'000	Statutory total US$'000
Revenue	**110,376**	**–**	**110,376**	98,196	–	98,196
Cost of sales						
– Operating expenses	**(27,674)**	**–**	**(27,674)**	(28,380)	–	(28,380)
– Depreciation and amortisation	**(15,462)**	**–**	**(15,462)**	(11,651)	–	(11,651)
– Impairment charge	**–**	**(14,162)**	**(14,162)**	–	–	–
Gross profit	**67,240**	**(14,162)**	**53,078**	58,165	–	58,165
General and administrative						
– Depreciation	**(633)**	**–**	**(633)**	(550)	–	(550)
– Other administrative costs	**(12,050)**	**–**	**(12,050)**	(9,736)	–	(9,736)
Operating profit	**54,557**	**(14,162)**	**40,395**	47,879	–	47,879
Finance income	**42**	**–**	**42**	286	–	286
Finance expense	**(10,342)**	**–**	**(10,342)**	(11,525)	–	(11,525)
Other income	**64**	**–**	**64**	123	–	123
Loss on sale of asset	**(868)**	**–**	**(868)**	(323)	–	(323)
Foreign exchange gain/loss, net	**(1,152)**	**–**	**(1,152)**	(278)	–	(278)
Profit before taxation	**42,301**	**(14,162)**	**28,139**	36,162	–	36,162
Tax	**(354)**	**–**	**(354)**	(1,178)	–	(1,178)
Net profit	**41,947**	**(14,162)**	**27,785**	34,984	–	34,984
Profit attributable to owners of the Company	**41,958**	**(14,162)**	**27,796**	34,770	–	34,770
Non-controlling interest	**(11)**	**–**	**(11)**	214	–	214
Earnings per share	**12.00**	**(4.05)**	**7.95**	9.95	–	9.95
Supplementary non-statutory information						
Operating profit	**54,557**	**(14,162)**	**40,395**	47,879	–	47,879
Add: Depreciation, amortisation and impairment charges	**16,095**	**14,162**	**30,257**	12,201	–	12,201
EBITDA	**70,652**	**–**	**70,652**	60,080	–	60,080

5 Taxation

Tax is charged at 1.3% for the six months ended June 2016 (2015: 3.3%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the Group's pre-tax income of the six-month period.

The withholding tax included in the current tax charge amounted to US$ 0.1 million (six months June 2015: US$ 0.7 million).

6 Earnings per share

	6 months ended June 2016	6 months ended June 2015	31 December 2015
Earnings for the purpose of basic and diluted earnings per share being profit for the period attributable to owners of the parent (US$'000)	**27,796**	34,770	74,776
Earnings for the purpose of adjusted basic and diluted earnings per share (US$'000) (see note 4)	**41,958**	34,770	84,642
Weighted average number of shares ('000s)	**349,528**	349,528	349,528
Weighted average diluted number of shares ('000s)	**353,478**	350,788	351,946
Basic earnings per share (cents)	**7.95**	9.95	21.39
Diluted earnings per share (cents)	**7.86**	9.91	21.25
Adjusted earnings per share (cents)	**12.00**	9.95	24.22
Adjusted diluted earnings per share (cents)	**11.87**	9.91	24.05

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

Adjusted earnings per share is calculated on the same basis but uses the earnings for the purpose of basic earnings per share (shown above) adjusted by adding back the impairment charge which has been expensed in the income statement (US$ 14.2 million). The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

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

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

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

	30 June 2016 '000s	30 June 2015 '000s	31 December 2015 '000s
Weighted average basic number of shares in issue	**349,528**	349,528	349,528
Effect of share options under LTIP schemes	**3,950**	1,260	2,418
Weighted average diluted number of shares in issue	**353,478**	350,788	351,946

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2016 continued

7 Property, plant and equipment

	Vessels US$'000	Assets under construction US$'000	Land, building and improvements US$'000	Vessel spares US$'000	Others US$'000	Total US$'000
Cost						
Balance as at 1 January 2016	**826,101**	**81,436**	**8,719**	**9,889**	**4,138**	**930,283**
Additions	–	68,373	–	70	–	68,443
Transfers	68,947	(73,868)	33	4,504	384	–
Disposals	(1,055)	–	–	(21)	(121)	(1,197)
Balance as at 30 June 2016	**893,993**	**75,941**	**8,752**	**14,442**	**4,401**	**997,529**
Accumulated depreciation						
Balance at 1 January 2016	**119,949**	**–**	**4,650**	**6,472**	**2,951**	**134,022**
Eliminated on disposals of assets	(153)	–	–	–	(121)	(274)
Depreciation expense	13,027	–	203	330	299	13,859
Impairment charge	14,162	–	–	–	–	14,162
Balance as at 30 June 2016	**146,985**	**–**	**4,853**	**6,802**	**3,129**	**161,769**
Net Book Value as at 30 June 2016	**747,008**	**75,941**	**3,899**	**7,640**	**1,272**	**835,760**

	Vessels US$'000	Assets under construction US$'000	Land, building and improvements US$'000	Vessel spares US$'000	Others US$'000	Total US$'000
Cost						
Balance as at 1 January 2015	**615,168**	**88,711**	**7,400**	**10,586**	**4,845**	**726,710**
Additions	64,626	139,197	622	861	56	205,362
Transfers	146,942	(146,472)	771	(1,544)	303	–
Disposals	(635)	–	(74)	(14)	(1,066)	(1,789)
Balance as at 31 December 2015	**826,101**	**81,436**	**8,719**	**9,889**	**4,138**	**930,283**
Accumulated depreciation						
Balance at 1 January 2015	**98,514**	**–**	**4,424**	**5,823**	**3,425**	**112,186**
Eliminated on disposals of assets	(186)	–	(74)	(14)	(1,076)	(1,350)
Depreciation expense	21,621	–	300	663	602	23,186
Balance as at 31 December 2015	**119,949**	**–**	**4,650**	**6,472**	**2,951**	**134,022**
Net Book Value as at 31 December 2015	**706,152**	**81,436**	**4,069**	**3,417**	**1,187**	**796,261**

The carrying amount of vessels held under finance leases is US$ 45.2 million (31 December 2015: US$ 100.2 million). During the period the Group purchased the formerly leased vessel Pepper for US$ 51.0 million (see note 10).

Included within additions is US$ 1.3 million (2015: US$ 5.8 million) in respect of capitalised borrowing costs incurred on vessels under construction. The capitalisation rate used to determine this figure was 1.91% per annum (2015: 5.56%).

Impairment assessment

The Group undertook a full impairment review of its fixed assets as at 30 June 2016. Whilst none of the Group's core SESV assets were impaired, the Group recognised an impairment charge of US$ 14.2 million on its non-core assets arising from the impact that the continued decline in oil price had on the charter rates and utilisation levels of those vessels. The Group's non-core assets comprise two anchor tug supply vessels and an accommodation barge. The impairment charge of US$ 14.2 million 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2016 continued

7 Property, plant and equipment continued

Impairment assessment continued

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) for revenue for the CGUs were assumed as an average upward revision of 4.7% between 2017 and 2022 remaining flat thereafter.

The cash flows have been discounted using a pre-tax discount rate of 11.5% (30 June 2015: 11.5%) which was estimated taking into consideration the weighted average cost of capital of a portfolio of peer group companies with similar assets. The discount rate reflects current market assessments of the time value of money, the risks associated with the cash flows, and the expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

8 Trade and other receivables

	30 June 2016 US$'000	31 December 2015 US$'000
Trade receivables	**40,366**	54,700
Accrued income	**2,291**	503
Prepayments and deposits	**5,315**	3,918
Advances to suppliers	**606**	540
Other receivables	**79**	145
Due from related parties	**70**	70
Total	**48,727**	59,876

9 Share option reserve

Share based expenses for the period of US$ 0.90 million (31 December 2015: US$ 0.85 million) relate to awards granted to employees under the Group's Long-Term Incentive Plan (LTIP). The charge is included in general and administrative expenses in the statement of comprehensive income.

10 Borrowings

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

	30 June 2016 US$'000	31 December 2015 US$'000
Current		
Obligations under finance leases	**3,539**	55,026
Bank borrowings	**19,060**	17,863
Non-current		
Obligations under finance leases	**38,014**	39,577
Bank borrowings	**385,033**	347,253
Total borrowings	**445,646**	459,719

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

	30 June 2016 US$'000	31 December 2015 US$'000
Working capital facility	**50,000**	50,000
Capex facility	**125,000**	175,000
Undrawn committed loan facility	**175,000**	225,000

Net debt during the period was as follows:

	30 June 2016 US$'000	31 December 2015 US$'000
Bank borrowings	**404,093**	365,116
Obligations under finance leases	**41,553**	94,603
Less: Cash at bank and in hand	**(32,723)**	(60,834)
Total	**412,923**	398,885

On 16 March 2016 the option to purchase the leased Enhanced Small Class vessel (Pepper) for US$ 51.0 million was exercised. The purchase was funded by available cash and a drawdown from the Group's committed loan facility. Against the committed loan facility, US$ 50.0 million was drawn down during the period and used to fund part of the purchase price of Pepper and the ongoing new build programme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2016 continued

11 Notes to the cash flow statement

	6 months ended 30 June		Year ended 31 December
	2016 US$'000	2015 US$'000	2015 US$'000
Profit for the period/year before taxation	**28,139**	36,162	77,081
Adjustments for:			
Depreciation of property, plant and equipment	**13,859**	11,331	23,186
Amortisation of intangibles	**188**	188	375
Amortisation of dry docking expenditure	**2,021**	683	3,624
Impairment charge	**14,162**	–	–
End of service benefit charge	**580**	399	1,181
End of service benefits paid	**(357)**	(215)	(258)
Provision for doubtful debts	**–**	200	614
Recovery of doubtful debts	**–**	–	(925)
Fair value loss on derivative financial instrument	**–**	202	27
Loss on disposal of property, plant and equipment	**868**	323	1,045
Share options rights charge	**895**	713	846
Interest income	**(42)**	(286)	(640)
Interest expense	**9,923**	9,804	21,452
Write-off of unamortised issue costs	**–**	–	7,743
Other income	**(64)**	–	(305)
Amortisation of issue costs	**419**	1,520	2,516
Cash flow from operating activities before movement in working capital	**70,591**	61,024	137,562
Decrease/(Increase) in trade and other receivables	**11,152**	(5,186)	(9,669)
(Decrease)/Increase in trade and other payables	**(16,207)**	(6,997)	718
Cash generated from operations	**65,536**	48,841	128,611
Taxation paid	**(1,669)**	(2,914)	(3,651)
Net cash generated from operating activities	**63,867**	45,927	124,960

12 Capital commitments

Capital commitments as at 30 June 2016 were US$ 13.8 million (31 December 2015: US$ 32.8 million) comprising mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or the refurbishment of existing vessels.

13 Related parties

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

The number of share awards made to the key management personnel is given in the table below together with their weighted average fair value (WAFV) and weighted average grant price (WAGP). The exercise price of the share awards is US$ nil (2015: nil). No share awards vested in the period.

Scheme	WAFV US$	WAGP US$	Expiry date	Number of options vested	Number of options unvested	30 June 2016 Total outstanding
2016 LTIPs – Senior Management	0.82	0.94	March 2019	–	3,175,556	3,175,556

There were no other financially significant related party transactions during the six months ended 30 June 2016.

14 Events after the reporting period

(a) After the period end, the Directors declared an interim dividend of 0.41 pence (0.54 cents) per ordinary share, which will be paid on 3 October 2016 to shareholders on the register on 9 September 2016. These condensed consolidated financial statements do not reflect the interim dividend, which will be recognised in equity attributable to the owners of the parent as an appropriation of retained earnings in the financial statements for the year ending 31 December 2016.

(b) On 5 August 2016, the Group announced a new 12 month contract, which includes options, awarded for a Mid-Size Class vessel and a contract extension for one of the Small Class vessels for 12 months with a further one-year option period.

(c) On 16 August 2016, the Group announced the early termination of a Mid-Size Class vessel which is expected to come off charter in early Q4 2016.

RESPONSIBILITY STATEMENT

Financial information for the period ended 30 June 2016

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Duncan Anderson
Chief Executive Officer
30 August 2016

John Brown
Chief Financial Officer
30 August 2016

GLOSSARY OF PRINCIPAL TERMS

Board
The Directors of the Company.

Company
Gulf Marine Services PLC.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

GMS
The Gulf Marine Services Group.

Group
The Company and its subsidiaries.

IFRS
International Financial Reporting Standards.

MENA
Middle East and North Africa.

SESV
Self-elevating support vessel.

TRIR
Total Recordable Injury Rate is 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.

NOTES

CORPORATE INFORMATION

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Independent Non-Executive Chairman

Duncan Anderson
Chief Executive Officer

Simon Batey
Senior Independent Non-Executive Director

Richard Anderson
Independent Non-Executive Director

Mike Straughen
Independent Non-Executive Director

Richard Dallas
Non-Executive Director

Dr Karim El Solh
Non-Executive Director

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