Harkand EMEA Group

Unaudited Condensed Interim Aggregated Financial Statements

For the three and six months ended 30 June 2015

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF FINANCIAL POSITION

Contents

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 $000	31 December 2014 $000
Non-current assets			
Property, plant and equipment	9	339,585	350,220
Goodwill and intangible assets	10	44,199	44,489
Other non-current assets		17,819	20,512
		401,603	**415,221**
Current assets			
Inventories		2,027	1,096
Trade and other receivables		27,739	23,160
Intercompany receivables		192,612	176,147
Cash and cash equivalents		7,600	22,698
Other assets		5	199
Deferred expenditure		3,521	4,829
		233,504	**228,129**
Total assets		635,107	643,350
Current liabilities			
Trade and other payables		(30,496)	(29,742)
Intercompany payables		(74,888)	(47,919)
Interest-bearing loans and borrowings	11	(4,263)	(24,456)
Income Tax payable		(1,545)	(3,471)
Other financial liabilities	11	(7,166)	(6,966)
Provisions		(3,957)	(3,184)
		(122,315)	**(115,738)**
Non-current liabilities			
Interest-bearing loans and borrowings	11	(213,791)	(202,871)
Other financial liabilities	11	(16,403)	(19,791)
Deferred tax liabilities		(2,374)	(2,787)
		(232,568)	**(225,449)**
Total liabilities		**(354,883)**	**(341,187)**
Net assets		**280,224**	**302,163**
Equity attributable to equity holders of the parent			
Share capital	13	4	4
Share premium		31,339	31,339
Capital contribution reserve		235,617	235,617
Revaluation reserve		33,730	33,730
Retranslation reserve		2,688	957
Retained earnings		(23,154)	516
Total equity		280,224	302,163

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF FINANCIAL POSITION

For the three and six months ended 30 June 2015

	Notes	For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
		$000	$000	$000	$000
Revenue		44,224	77,736	79,789	77,736
Cost of sales		(38,456)	(47,413)	(74,900)	(47,413)
Gross profit		5,768	30,323	4,889	30,323
Administrative expenses		(8,527)	(6,013)	(16,845)	(6,013)
Operating (loss)/ profit [1]	7	(2,759)	24,310	(11,956)	24,310
Finance expense	6	(5,393)	(6,206)	(10,464)	(6,363)
Net financing cost		**(5,393)**	**(6,206)**	**(10,464)**	**(6,363)**
(Loss) /profit before tax		**(8,152)**	**18,104**	**(22,420)**	**17,947**
Taxation	8	(1,076)	(2,950)	(1,250)	(2,950)
(Loss)/ profit for the period from continuing operations		**(9,228)**	**15,154**	**(23,670)**	**14,997**

For the three and six months ended 30 June 2015

	For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
	$000	$000	$000	$000
Other comprehensive income				
Other comprehensive income to be recycled to profit or loss in subsequent periods				
Foreign currency translation differences	6,013	4,526	1,731	4,526
Other comprehensive income for the period, net of income tax	**6,013**	**4,526**	**1,731**	**4,526**
Total comprehensive income for the period from continuing operations	**(3,215)**	**19,680**	**(21,939)**	**19,523**

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

[1] EBITDA is defined as Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional costs and has been calculated as follows:

	For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
	$000	$000	$000	$000
Operating (loss)/ profit	(2,759)	24,310	(11,956)	24,310
Add back Depreciation	6,098	4,794	11,602	4,794
Add back Amortisation	423	360	834	360
Add back Exceptional costs	1,975	1,236	1,975	1,236
Earnings Before Interest, Tax, Depreciation and Amortisation and exceptional costs (Adjusted EBITDA)	**5,737**	**30,700**	**2,455**	**30,700**

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2015

	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Retranslation reserve	Retained earnings	Total equity
	$000	$000	$000	$000	$000	$000	$000
As at 1 January 2015	4	31,339	235,617	33,730	957	516	**302,163**
Total comprehensive income for the period	-	-	-	-	1,731	(23,670)	(21,939)
As at 30 June 2015	4	31,339	235,617	33,730	2,688	(23,154)	**280,224**

At 31 December 2014

	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Retranslation reserve	Retained earnings	Total equity
	$000	$000	$000	$000	$000	$000	$000
As at 28 March 2014	-	-	-	-	-	-	**-**
Acquired on restructuring	4	31,339	235,617	33,730	(413)	(367)	**299,910**
Total comprehensive income for the period	-	-	-	-	1,370	883	**2,253**
As at 31 December 2014	4	31,339	235,617	33,730	957	516	**302,163**

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF CASH FLOWS

For the three and six months ended 30 June 2015

		For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
		$000	$000	$000	$000
Cash flows from operating activities					
(Loss) /profit before tax		(8,152)	18,104	(22,420)	17,947
Adjustments to reconcile profit from operations to net cash flows:					
Depreciation of property, plant and equipment	9	6,098	4,794	11,602	4,794
Amortisation of intangible assets	10	423	360	834	360
Exceptional expense		-	1,236	-	1,236
Finance expense	6	5,393	6,206	10,464	6,363
Increase in inventory		(1,096)	(981)	(931)	(981)
Increase/(Decrease) in trade and other receivables		(10,992)	(48,933)	3,810	(48,933)
Decrease in trade and other payables		7,974	12,930	2,540	12,930
Increase in intercompany balances		7,195	128,061	6,311	128,061
Taxes paid		(705)	(93)	(3,589)	(93)
Net cash generated from operating activities		**6,138**	**121,684**	**8,621**	**121,684**
Cash flows from investing activities					
Cash payments to acquire property, plant and equipment		(548)	(3,420)	(618)	(3,420)
Net cash used in investing activities		**(548)**	**(3,420)**	**(618)**	**(3,420)**
Cash flows from financing activities					
Interest paid		(275)	(2,788)	(9,185)	(2,788)
Refund of guarantee		-	6,925	-	6,925
Proceeds from bond		-	230,000	-	230,000
Financing costs		-	(7,748)	-	(7,748)
Repayment of previous debt facilities		-	(135,889)	-	(135,889)
Loan and Finance lease payments		(1,322)	(206,659)	(13,916)	(206,659)
Net cash used in financing activities		**(1,597)**	**(116,159)**	**(23,101)**	**(116,159)**
Net increase in cash and cash equivalents		**3,993**	**2,105**	**(15,098)**	**2,105**
Cash and cash equivalents brought forward		3,607	11,935	22,698	11,935
Cash and cash equivalents at 30 June		**7,600**	**14,040**	**7,600**	**14,040**

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

1. Basis of preparation

The Harkand EMEA Group was created on 28 March 2014 and includes the companies listed in note 5. The unaudited condensed interim consolidated financial statements reflect the performance of Harkand EMEA Group for the six month period ended 30 June 2015.

As there is no common parent the financial statements for the Harkand EMEA Group have been prepared by aggregating relevant sub-group consolidations. Intercompany balances and transactions between the sub-groups are eliminated as appropriate in arriving to the aggregated financial statements.

The European and African operational businesses of Harkand Luxembourg Holdings SARL were transferred to Harkand EMEA Group on 16 April 2014. The Group is required to prepare aggregated financial statements based upon International Financial Reporting Standards ("IFRS") by the bond agreement signed on 28 March 2014.

Going concern

The unaudited condensed interim aggregated financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

During the three months ended 30 June 2015 the Directors successfully completed the strategic plan and cost-reduction measures disclosed in the audited aggregated financial statements for the period ended 31 December 2014. These included deferral of bond repayments, reducing the cost base of the Group and committed funding from Group's shareholder. The combination of these actions has provided greater stability in challenging market conditions. The EMEA Group has seen the benefit as it continues to win work in the North Sea as well as striving forward in its strategy to penetrate the African market.

2. Statement of compliance

These unaudited condensed interim aggregated financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") and they have not been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since date of incorporation.

3. Summary of estimates, judgements and assumptions

The preparation of the Group's condensed unaudited interim aggregated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. However, uncertainty about these estimates, judgements and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

4. Summary of significant accounting policies

New standards, interpretations and amendments adopted

The Group adopted the following standards on 1 January 2014:

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments in IAS 32 clarify certain items regarding offsetting financial assets and financial liabilities. The amendments are to be applied retrospectively and will be effective for periods commencing on or after 1 January 2014 with earlier application permitted. The amendment has had no impact on the Group's financial presentation or performance.

4. New standards, interpretations and amendments adopted (continued)

Amendments to IAS 36, Impairment of Assets

These narrow-scope amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The standard has had no impact on the Group's financial position or performance.

IFRIC Interpretation 21, Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The standard has had no impact on the Group's financial position or performance.

New standards, interpretations and amendments thereof not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's interim aggregated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

The Group intends to adopt these standards when they become effective.

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The mandatory date of adoption for this standard has not been set. The Group will continue to assess any impact on the classification and measurement of the Group's financial assets, as well as any impact on the classification and measurement of financial liabilities. IFRS 9 is not yet approved by the EU.

IFRS 15, Revenue from Contracts with Customers

The IASB and FASB published a new joint revenue standard on revenue recognition in May 2014. It replaces existing IFRS and US GAAP guidance and introduces a new recognition model for contracts with customers. The new standard (IFRS 15) retains a principles-based approach to the recognition of revenue from contracts. It introduces new concepts for obligations satisfied over time, or at a point in time. In particular, IFRS 15 may change the way many complex, long-term or multiple component contracts are accounted for. The new standard is not yet approved by the EU but will be effective for periods commencing 1 January 2017.

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

5. Entities consolidated into the condensed interim aggregated financial statements

The condensed interim financial statements aggregate the results of the following entities:

	Country of Incorporation	*Class of shares held*	*Ownership*
Harkand Issuer Parent Limited	Gibraltar	Ordinary	100%
Harkand Finance Inc.	Marshall Islands	Ordinary	100%
Harkand Atlantis MI Inc.	Marshall Islands	Ordinary	100%
Harkand Da Vinci MI Inc.	Marshall Islands	Ordinary	100%
Harkand Interco Parent Limited	Gibraltar	Ordinary	100%
Harkand Atlantis Interco Inc.	Marshall Islands	Ordinary	100%
Harkand Da Vinci Interco Inc.	Marshall Islands	Ordinary	100%
Harkand EMEA Limited	England	Ordinary	100%
ISS Acquisition Limited	Scotland	Ordinary	100%[1]
ISS Group Holdings One Limited	Scotland	Ordinary	100%
ISS Holdings Limited	Scotland	Ordinary	100%
Integrated Subsea Services Limited	Scotland	Ordinary	100%
Integrated Subsea Services Africa Limited	Scotland	Ordinary	88%
Harkand Limited (was Sarb Marine)	Scotland	Ordinary	100%
ISS (HR Services) Limited	Scotland	Ordinary	100%
Integrated Subsea Services (Guernsey) Limited	Guernsey	Ordinary	100%
Andrews Hydrographics (Holding Company) Limited	England	Ordinary	100%
Andrews Hydrographics Limited	England	Ordinary	100%
Andrews Survey Limited	England	Ordinary	100%
Iremis Holdings Limited	England	Ordinary	100%
Eagle Shipco Limited	England	Ordinary	100%
Condor Shipco Limited	England	Ordinary	100%
Falcon Shipco Limited	England	Ordinary	100%
Harkand Chartering Limited	England	Ordinary	100%
Iremis Interco Limited	England	Ordinary	100%
Harkand (AME) Limited	England	Ordinary	100%
Gulmar Offshore Asia Pte. Ltd	Singapore	Ordinary	100%
Harkand Africa Limited	England	Ordinary	100%
Harkand Contracting Limited	England	Ordinary	100%
Harkand Angola Limited	England	Ordinary	100%
Harkand Haldane Parent Limited	Gibraltar	Ordinary	100%
Harkand Haldane Inc.	Marshall Islands	Ordinary	100%
Harkand Haldane Interco Inc.	Marshall Islands	Ordinary	100%

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

6. Finance expense

	For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
	$000	$000	$000	$000
Total interest expense on financial liabilities measured at amortised cost	4,125	4,806	8,431	4,963
Other fees and charges	2,813	319	3,332	319
Net foreign exchange differences	(1,815)	632	(1,854)	632
Finance charges payable under finance lease and hire purchase contracts	270	449	555	449
	5,393	6,206	10,464	6,363

7. Other expenses included in the statement of comprehensive income

	For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
	$000	$000	$000	$000
Depreciation	6,098	4,794	11,602	4,794
Amortisation of intangible assets	423	360	834	360
Lease payments recognised as an operating lease expense	7,527	7,392	11,748	7,392

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

8. Taxation

The major components of income tax expense for the period ended are:

	For the three months ended 30 June 2015	For the three months ended 30 June 2014	For the six months ended 30 June 2015	For the period ended 30 June 2014
	$000	*$000*	*$000*	*$000*
UK and foreign corporation tax:				
Current income tax charge	1,231	2,150	1,679	2,150
Deferred tax:				
Relating to the origination and reversal of temporary differences	(155)	800	(429)	800
Income tax reported in the statement of comprehensive income	1,076	2,950	1,250	2,950

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

9. Property, plant and equipment

	Vessels	Leasehold improvements	Operating equipment	Furniture and office equipment	Total
	$000	$000	$000	$000	$000
Cost					
Balance at incorporation	-	-	-	-	-
Acquisitions through restructuring	310,000	566	98,960	448	409,974
Additions	2,163	10	1,485	-	3,658
Disposals	-	-	-	(448)	(448)
Exchange differences	-	(17)	(2,976)	-	(2,993)
Balance at 31 December 2014	312,163	559	97,469	-	410,191
Additions	-	-	618	-	618
Exchange differences	-	7	1,080	-	1,087
Balance at 30 June 2015	312,163	566	99,167	-	411,896
Depreciation					
Balance at incorporation	-	-	-	-	-
Accumulated depreciation through restructuring	-	346	44,390	267	45,003
Depreciation charge for the period	8,807	56	8,151	60	17,074
Disposals	-	-	-	(327)	(327)
Exchange differences	-	(14)	(1,765)	-	(1,779)
Balance at 31 December 2014	8,807	388	50,776	-	59,971
Depreciation charge for the period	6,651	34	4,917	-	11,602
Exchange differences	-	6	732	-	738
Balance at 30 June 2015	15,458	428	56,425	-	72,311
Net book value					
At 31 December 2014	303,356	171	46,693	-	350,220
At 30 June 2015	**296,705**	**138**	**42,742**	**-**	**339,585**

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

9. Property, plant and equipment (continued)

Leased plant and machinery
At 30 June 2015 the carrying amount of property, plant and equipment leased was $39 million (2014: $43 million). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Security
Vessels with a carrying value of $298 million (2014: $330 million) are mortgaged as security against borrowings.

10. Goodwill and Intangible assets

	Goodwill	Customer relationships	Total
	$000	$000	$000
Cost			
Balance at incorporation	-	-	-
Acquisitions	33,592	16,725	50,317
Exchange differences	(1,283)	(489)	(1,772)
Balance at 31 December 2014	32,309	16,236	48,545
Exchange differences	385	219	604
Balance at 30 June 2015	32,694	16,455	49,149
Amortisation and impairment			
Balance at incorporation	-	-	-
Accumulated amortisation through restructuring	-	2,926	2,926
Amortisation for the period	-	1,290	1,290
Exchange differences	-	(160)	(160)
Balance at 31 December 2014	-	4,056	4,056
Amortisation for the period	-	834	834
Exchange differences	-	60	60
Balance at 30 June 2015	-	4,950	4,950
Net book value			
At 31 December 2014	32,309	12,180	44,489
At 30 June 2015	**32,694**	**11,505**	**44,199**

10. Goodwill and Intangible assets *(continued)*

Amortisation and impairment charge

The amortisation charge for the period is recognised in the administrative expenses line item of the statement of comprehensive income.

11. Interest-bearing loans and borrowings

	30 June 2015 $000	31 December 2014 $000
Bond	218,054	227,327
	218,054	**227,327**
Due in less than one year	4,263	24,456
Due in more than one year	213,791	202,871
	218,054	**227,327**

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Bond	**30 June 2015 $000**	**31 December 2014 $000**
Bond	224,263	234,456
Less: unamortised deferred financing costs	(6,209)	(7,129)
	218,054	**227,327**
Due in less than one year	4,263	24,456
Due in more than one year	213,791	202,871
	218,054	**227,327**

	Currency	Nominal interest rate	Year of maturity	Face value 30 June 2015 $000	Face value 31 December 2014 $000	Carrying value 30 June 2015 $000	Carrying value 31 December 2014 $000
Bond	USD	7.5%	2019	230,000	230,000	218,054	227,327

On 28 March 2014 Harkand Finance Inc., ("the Company") closed its offering of $230,000,000 aggregate principal amount ("Bond") by way of a private placement. The Bond bears interest of 7.5% per annum on the principal outstanding. Repayments to the principal of $10,000,000 are to be made in March and September each year starting in 2015. The final repayment and settlement of the remaining principal of $150,000,000 will be made on 28 March 2019. As at 30 June 2015, the carrying value of the Bond included unamortised financing costs of $6,209,000 (2014: $7,129,000).

11. Interest-bearing loans and borrowings *(continued)*

Bond (continued)

On 28 May 2015 the Company negotiated and agreed with certain of the Significant Bondholders the terms of an amendment to the Bond Agreement and certain Finance Documents (together the "Amendment"), As part of the Amendment the next three amortisation payments due under the Bond Agreement have been deferred to the maturity date., which is 28 March 2019.

Following the Amendment, and effective as of 07 July 2015, the Bond shall accrue cash interest at a rate of 7.8% per annum, which shall be payable semi-annually in March and September. In addition payment in kind (PIK) interest shall accrue on the outstanding Bond principal at a rate of 0.6% per annum, payable semi-annually in March and September by way of issuance of additional bonds.

Liquidity Facility

During June 2015 the Group's shareholder provided a Liquidity Facility of $25,000,000. At 30 June 2015 the Group had an undrawn Liquidity Facility of $18,006,257.

Other financial liabilities

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments	Future Interest	Carrying amount
	30 June 2015	30 June 2015	30 June 2015
	$000	*$000*	*$000*
Less than one year	8,017	(851)	7,166
Between one and five years	17,859	(1,456)	16,403
	25,876	(2,307)	23,569

	Minimum lease payments	Future Interest	Carrying amount
	31 December 2014	31 December 2014	31 December 2014
	$000	$000	$000
Less than one year	7,948	(982)	6,966
Between one and five years	21,653	(1,862)	19,791
	29,601	(2,844)	26,757

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

12. Financial instruments

Fair values of financial instruments

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the statement of financial position are as follows:

	Fair value at 30 June 2015 $000	Carrying amount at 30 June 2015 $000	Fair value at 31 December 2014 $000	Carrying amount at 31 December 2014 $000
IAS 39 categories of financial instruments				
Loans and receivables				
Cash and cash equivalents	7,600	7,600	22,698	22,698
Trade and other receivables excluding prepayments	236,243	236,243	217,760	217,760
Total loans and receivables	243,843	243,843	240,458	240,458

	Fair value at 30 June *2015* *$000*	Carrying amount at 30 June *2015* *$000*	Fair value at 31 December *2014* *$000*	Carrying amount at 31 December *2014* *$000*
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings	(230,000)	(218,054)	(230,000)	(227,327)
Other financial liabilities	(25,876)	(23,569)	(29,601)	(26,757)
Total financial liabilities measured at amortised cost	(255,876)	(241,623)	(259,601)	(254,084)

Management considers that the carrying amount of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair value.

13. Capital and reserves

Share capital

Allotted, called up and fully paid share capital is comprised of:

ISS Acquisition Limited, 1,250 A ordinary shares of £1 each and 750 B ordinary shares of £1 each, Iremis Holdings Limited, 100 ordinary shares of $1 each, Harkand Issuer Parent Limited – 100 ordinary shares of $1 each, Harkand Interco Parent Limited – 100 ordinary shares of $1 each and Harkand EMEA Limited – 100 ordinary shares of $1 each.

Total share capital amounts to $4,000.

All companies' shares are classified as shareholders' funds.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares are not redeemable.

Dividends

No dividends were recognised in the period following the restructuring (*2014: none*).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

14. Operating leases

Non-cancellable minimum lease rentals are payable as follows:

	30 June 2015 $000	*31 December 2014 $000*
Less than one year	1,767	12,869
Between one and five years	1,451	1,434
More than five years	836	1,010
	4,054	15,313

The Group leases various office, warehouse properties and Vessels under non-cancellable operating lease arrangements. The lease terms are between 2 years and 12 years, and the majority of lease arrangements are renewable at the end of the lease period at market rate.

There are no restrictions placed upon the lessee by entering into these leases.

15. Commitments

Contingent liabilities

A member of senior management participates in a long term incentive plan ("LTIP") that is run by Harkand Global Holdings Limited. This is a cash based LTIP where value crystallises for the individuals only on the sale of 80% or more of the equity in Harkand Global Holdings Limited by its shareholders or a similar exit event. No accounting entries have been made in relation to this scheme given that the liability is contingent at the balance sheet date. The Directors do not believe that a reliable estimate of the contingent liability can be made at the balance sheet date given the level of estimation uncertainty at that date.

Notes to the Unaudited Condensed Interim Aggregated Financial Statements

16. Ultimate parent company and parent company of larger group

Harkand EMEA Group is wholly owned, via related intermediary parent companies, by an investment fund OCM European Principal Opportunities Fund II, L.P, incorporated in the Cayman Islands. Oaktree Capital Management L.P, incorporated in the United States of America, controls the Group by virtue of being the investment manager of the fund.

The results of this group are included in aggregated financial statements of Harkand Luxembourg Holdings SARL, a company registered and domiciled in Luxembourg.

17. Subsequent events

In the period between the reporting date and the approval of these financial statements, the repayments and interest rate on the company's bond were amended on 07 July 2015. See note 11 for details.

Harkand EMEA Group
Management Discussion and Analysis
Quarter ended 30 June 2015

General information

Principal activities

The principal activity of the Harkand EMEA Group ("EMEA") is the provision of subsea services (survey, inspection, repair, maintenance and light construction) to the international oil and gas industry. The Group's mission is to offer a high quality and cost effective service with a strong emphasis on safety and operational efficiency to the fast-growing subsea integrity management market.

Business review

EMEA carries out operations in the North Sea and West Africa, and represents the majority of its revenues and assets. EMEA has a long established presence in the North Sea, and is a leading provider of diving, ROV and survey services in the region. Over the past two years EMEA has also established a strong presence in West Africa, and during the prior year transitioned management of the Africa region to its Houston office, which has considerable experience of running operations in Africa.

EMEA was created through the combination of three businesses:

- **Andrews Survey** was founded in Aberdeen in 1978. By 2007 it had grown to a leading contractor in the hydrographic and subsea survey sector in the North Sea. In 2007 it was acquired by ISS.
- **Harkand UK (formerly ISS)** was founded in Aberdeen in 2002. By 2011 it had grown to become a leading provider of diving and ROV services in its core North Sea market, with regional offices in Singapore, Australia and Azerbaijan. It was acquired by Oaktree in 2012 and combined with Iremis.
- **Harkand West Africa (formerly Iremis)** was founded by Oaktree in 2011 with the acquisition of the Atlantis and Da Vinci vessels. Based in UAE, its key markets were West Africa and the North Sea. Oaktree's acquisition of ISS in 2012 allowed the creation of the Harkand Group in 2013, bringing Harkand's vessels access to and utilisation in the North Sea market.

The three businesses were highly complementary, combining Iremis' modern high-end assets with ISS and Andrews Survey's extended range of services.

EMEA owns the key assets of the Harkand Group: Two state-of-the-art DSVs, the Atlantis and the Da Vinci, and the Harkand Group's entire fleet of 32 ROVs. The Group operates 22 ROVs itself, while the remaining 10 ROVs are chartered to other companies within the Harkand Group.

Future developments

The formation of the Harkand Group provides a strong commercial, technical, financial and governance platform from which to consolidate the industry and create a market-leading name in subsea inspection, repair, maintenance and survey of offshore oil and gas fields. The Harkand Group is focused on attaining the highest standards in health, safety, quality and environmental performance along with first class project execution.

Commentary on financial performance

Key performance highlights during the quarter ended 30 June 2015 were:

- Utilisation improves in the North Sea
- Sell rates reduced as longer-term contracts won offset by some high value work
- Survey performance stable
- Continued progress in West Africa

Utilisation improves in the North Sea

Utilisation improved overall, which was driven by the Atlantis and the Go Electra however offset by the Da Vinci.

The Atlantis has been working ahead of expected utilisation due to the recently won frame agreements. The Go Electra achieved excellent utilisation on its contract during the quarter. The Da Vinci has suffered lower utilisation being the combination of delayed projects and maintenance work.

The Spearfish arrived in the North Sea at the end of the quarter as expected and was deployed immediately on its project.

Sell rates reduced as longer-term contracts won offset by some high value work

The Atlantis rate was lower than expected as it worked on an alternative contract than planned. The Go Electra rate was higher than projected due to the type of work required by the client.

Rates were lower in the North Sea across all vessels in May. Atlantis rate down as a result of the work it is doing on frame agreements albeit utilisation is better. The Da Vinci and the Go Electra rates were up in June due to two projects for ROV structures and diving in June.

Survey performance stable

The Survey business performed in line with expectations.

Continued progress in West Africa

Work continues well on the contract won in Nigeria. Further bids have been made and the Group is confident that new contracts will be awarded in the near future.

HARKAND FINANCE INC.

Unaudited Interim Consolidated Financial Statements

For the three months ended 30 June 2015

HARKAND FINANCE INC.

Contents

Company information

Directors
Jabir Chakib
Ben Gujral (Appointed 7 April 2015)

Secretary
Szymon Stanislaw Dec (Resigned 19 January 2015)

Registered office
Trust Company Complex,
Ajeltake Road, Ajeltake Island,
Majuro, Marshall Islands
MH96960

Registered number
67322

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 $000	31 December 2014 $000
Non-current assets			
Property, plant and equipment	8	297,171	303,356
Other non-current assets	9	16,619	19,312
		313,790	322,668
Current assets			
Trade and other receivables	10	42,679	25,060
Cash and cash equivalents		625	25
		43,304	25,085
Total assets		357,094	347,753
Current liabilities			
Trade and other payables	11	41,089	20,796
Interest-bearing loans and borrowings	12	4,263	24,456
		45,352	45,252
Non-current liabilities			
Interest-bearing loans and borrowings	12	213,791	202,871
		213,791	202,871
Total liabilities		259,143	248,123
Net assets		97,951	99,630
Equity attributable to equity holders of the parent			
Share capital	13	-	-
Capital contribution reserve	13	97,748	97,748
Retained earnings		203	1,882
Total equity		97,951	99,630

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
		$000	$000	$000	$000
Revenue		8,810	6,721	17,620	6,878
Cost of sales	6	(3,466)	(2,550)	(6,682)	(2,550)
Gross profit		5,344	4,171	10,938	4,328
Administration expenses		(1,053)	-	(1,064)	-
Operating profit		4,291	4,171	9,874	4,328
Finance expense	5	(6,827)	(4,686)	(11,553)	(4,843)
Net financing cost		**(6,827)**	**(4,686)**	**(11,553)**	**(4,843)**
(Loss) before tax		**(2,536)**	**(515)**	**(1,679)**	**(515)**
Taxation	7	-	-	-	-
(Loss) for the period from continuing operations		**(2,536)**	**(515)**	**(1,679)**	**(515)**
Attributable to:					
Equity holders of the parent		**(2,536)**	**(515)**	**(1,679)**	**(515)**
Other comprehensive income					
Total comprehensive income for the period from continuing operations		(2,536)	(515)	(1,679)	(515)
Attributable to:					
Equity holders of the parent		(2,536)	(515)	(1,679)	(515)

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Changes in Equity

As at 30 June 2015

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	$000	$000	$000	$000
As at 31 December 2014	-	97,748	1,882	**99,630**
Total comprehensive income for the period	-	-	(1,679)	**(1,679)**
As at 30 June 2015	-	97,748	203	**97,951**

As at 31 December 2014

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	$000	$000	$000	$000
As at incorporation	-	-	-	**-**
Capital contribution received	-	97,748	-	**97,748**
Total comprehensive income for the period	-	-	1,882	**1,882**
As at 31 December 2014	-	97,748	1,882	**99,630**

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
		$000	$000	$000	$000
Cash flows from operating activities					
(Loss) before tax		(2,536)	(515)	(1,679)	(515)
Adjustments to reconcile profit from operations to net cash flows:					
Depreciation	6	3,466	2,550	6,682	2,550
Finance cost	5	6,827	4,686	11,553	4,843
Increase in trade and other receivables		(15,427)	(16,721)	(14,926)	(16,878)
Increase in trade and other payables		8,493	-	18,091	-
Net cash generated from operating activities		**823**	**(10,000)**	**19,721**	**(10,000)**
Cash flows from investing activities					
Acquisition of tangible assets		(213)	(212,252)	(497)	(212,252)
Net cash used in investing activities		**(213)**	**(212,252)**	**(497)**	**(212,252)**
Cash flows from financing activities					
Proceeds from bond issue	12	-	-	-	230,000
Bond repayment		-	-	(10,000)	-
Bond interest paid		-	-	(8,624)	-
Financing costs paid		-	(7,748)	-	(7,748)
Net cash (used in) financing activities		**-**	**(7,748)**	**(18,624)**	**222,252**
Net increase/(decrease) in cash and cash equivalents		610	(230,000)	600	-
Cash and cash equivalents brought forward		15	230,000	25	-
Cash and cash equivalents at 30 June		**625**	**-**	**625**	**-**

Notes to Unaudited Interim Consolidated Financial Statements

1. Reporting entity

The Company was incorporated on 3 March 2014 and is domiciled in the Marshall Islands.

On 28 March 2014 the Company completed the issue of secured senior notes ("Bond"). In connection with the release of the proceeds from the Bond, the Company became the owner through its two subsidiary companies, of two Dive Support Vessels ("DSVs"). The DSVs are chartered to related companies, which are market-leading global names in subsea inspection, repair, maintenance and survey of offshore oil and gas fields.

2. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Group's annual financial statements and notes for the year ended 31 December 2014. These interim consolidated financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2014 and the accompanying notes.

3. Summary of significant accounting policies

Going concern

The unaudited condensed interim financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

During the three months ended 30 June 2015 the Directors successfully completed the strategic plan and cost-reduction measures disclosed in the audited financial statements for the period ended 31 December 2014. The combination of these actions, which included deferral of bond repayments, has provided greater stability in challenging market conditions.

4. Summary of estimates, judgements and assumptions

The preparation of the Group's interim consolidated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. However, uncertainty about these estimates, judgements and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

There has been no substantial change in the Group's critical accounting estimates since the annual consolidated financial statements as at and for the year ended 31 December 2014. The comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 30 June 2015 interim consolidated financial statements.

5. Finance expense

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Interest expense on financial liabilities measured at amortised cost	4,125	4,299	8,431	4,456
Amortisation of deferred financing cost	500	387	920	387
Cost of bond amendment	2,200	-	2,200	-
Other finance expenses	2	-	2	-
	6,827	**4,686**	**11,553**	**4,843**

6. Other expenses included in the statement of comprehensive income

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Auditor's remuneration	-	-	-	-
Depreciation	3,466	2,550	6,682	2,550

The auditor's remuneration was paid by a fellow group company.

7. Taxation

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Corporation tax	-	-	-	-

Reconciliation of tax expense and the accounting profit multiplied by the Company's tax rate for the period:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Accounting (loss) before tax	(2,536)	(515)	(1,679)	(515)
At the Company's statutory tax rate of 0%	-	-	-	-
Total tax charge for the period	-	-	-	-

The Company's operations are carried out in the Marshall Islands, where corporate income tax rate is nil. As such no corporate tax liability arises on the Company's operations

8. Property, plant and equipment

Group	Marine and equipment tools	Vessels	Total
	$000	$000	$000
Cost			
Balance at incorporation	-	-	-
Additions	-	312,163	312,163
Balance at 31 December 2014	-	312,163	312,163
Additions	497	-	497
Balance at 30 June 2015	**497**	**312,163**	**312,660**
Depreciation			
Balance at incorporation	-	-	-
Depreciation charge for the period	-	8,807	8,807
Balance at 31 December 2014	-	8,807	8,807
Depreciation charge for the period	31	6,651	6,682
Balance at 30 June 2015	**31**	**15,458**	**15,489**
Net book value			
At 30 June 2015	**466**	**296,705**	**297,171**
At 31 December 2014	-	303,356	303,356

Vessels

The Group acquired the vessels through a restructuring for $310 million. The vessels are mortgaged as security against the bond held by the company.

9. Other non-current assets

	30 June 2015	31 December 2014
	$000	$000
Restricted cash	16,619	19,312

Other non-current assets include $10 million of restricted cash, which is held in a separate account. This is part of the covenant compliance required of the Bond (note 12).

10. Trade and other receivables

	30 June *2015* $000	31 December *2014* $000
Amount due from related parties	42,679	25,060
	42,679	**25,060**

No interest is charged on amounts due from related parties, which are repayable on demand.

11. Trade and other payables

	30 June *2015* $000	31 December *2014* $000
Trade payables	-	18
Accrued expenses	3,158	-
Amounts due to related parties	37,931	20,778
	41,089	**20,796**

No interest is charged on amounts due to related parties, which are payable on demand

12. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	30 June 2015 $000	31 December 2014 $000
Bond	218,054	227,327
	218,054	**227,327**
Due in less than one year	4,263	24,456
Due in more than one year	213,791	202,871
	218,054	**227,327**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

Bond	30 June 2015 $000	31 December 2014 $000
Bond	224,263	234,456
Less: unamortised deferred financing costs	(6,209)	(7,129)
	218,054	**227,327**
Due in less than one year	4,263	24,456
Due in more than one year	213,791	202,871
	218,054	**227,327**

	Currency	Nominal interest rate	Year of maturity	Face value 30 June 2015 $000	Face value 31 December 2014 $000	Carrying value 30 June 2015 $000	Carrying value 31 December 2014 $000
Bond	USD	7.5%	2019	224,263	234,456	218,054	227,327

On 28 March 2014 Harkand Finance Inc., closed its offering of $230,000,000 aggregate principal amount ("Bond") by way of a private placement. The Bond bears interest of 7.5% per annum on the principal outstanding. Amortisation repayments to the principal of $10,000,000 are to be made in March and September each year starting in 2015. The final repayment and settlement of the remaining principal of $150,000,000 will be made on 28 March 2019. As at 30 June 2015 the carrying value of the Bond included unamortised financing costs of $6,209,000 (2014: £7,129,000).

On 28 May 2015 the Company negotiated and agreed with certain of the Significant Bondholders the terms of an amendment to the Bond Agreement and certain Finance Documents (together the "Amendment"), As part of the Amendment the next three amortisation payments due under the Bond Agreement have been deferred to the maturity date., which is 28 March 2019.

Following the Amendment, and effective as of 07 July 2015, the Bond shall accrue cash interest at a rate of 7.8% per annum, which shall be payable semi-annually in March and September. In addition payment in kind (PIK) interest shall accrue on the outstanding Bond principal at a rate of 0.6% per annum, payable semi-annually in March and September by way of issuance of additional bonds.

13. Capital and reserves

Share capital

	Ordinary shares 30 June 2015 $000	Ordinary shares 31 December 2014 $000
Allotted, called up and fully paid		
100 Ordinary shares of $1 each	-	-

All company's shares are classified as shareholders' funds. During the period the Company did not issue any shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares are not redeemable.

Dividends

No dividends were recommended or recognised during the period.

Capital contribution

During the period ended 31 December 2014 a capital contribution was made of $97.7 million from the Company's immediate parent company.

14. Financial instruments

Fair values of financial instruments

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the statement of financial position are as follows:

	Fair value 30 June 2015 $000	Carrying amount 30 June 2015 $000
IAS 39 categories of financial instruments		
Loans and receivables		
Trade and other receivables excluding prepayments (note 10)	42,679	42,679
Cash and cash equivalents	625	625
Total loans and receivables	43,304	43,304
Financial liabilities measured at amortised cost		
Trade and other payables (note 11)	(41,089)	(41,089)
Other interest-bearing loans and borrowings (note 12)	(224,263)	(218,054)
Total financial liabilities measured at amortised cost	(265,352)	(259,143)
Total financial instruments	(222,048)	(215,839)

14. Financial instruments (continued)

Group	Fair value	Carrying amount
	31 December 2014	31 December 2014
	$000	$000
IAS 39 categories of financial instruments		
Loans and receivables		
Trade and other receivables excluding prepayments (note 10)	25,060	25,060
Cash and cash equivalents	25	25
Total loans and receivables	25,085	25,085
Financial liabilities measured at amortised cost		
Trade and other payables (note 11)	(20,796)	(20,796)
Other interest-bearing loans and borrowings (note 12)	(234,456)	(227,327)
Total financial liabilities measured at amortised cost	(255,252)	(248,123)
Total financial instruments	(230,167)	(223,038)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Credit risk

Bank balance and deposits

The Group seeks to limit its credit risk with regard to bank balances and deposits by only dealing with reputable banks.

The maximum exposure to credit risk at the statement of financial position date by class of financial instrument was:

	30 June 2015	31 December 2014
	$000	$000
Cash and cash equivalents	625	25

Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk to a shortage of funds by considering the projected cash flows from its vessel owning subsidiaries.

15. Ultimate parent company

The ultimate parent is OCM European Principal Opportunities Fund II, L.P, incorporated in the Cayman Islands. Oaktree Capital Management L.P, incorporated in the United States of America, controls the Group by virtue of being the investment manager of the fund.

16. Related party transactions

During the period the Group has had transactions with the following related parties:

Harkand Atlantis Interco Inc.

At the balance sheet date the Group had an inter-company receivable amount due from its related party company Harkand Atlantis Interco Inc. of $21,340,000 *(31 December 2014: $12,530,000)*. The total charter revenue charged to the related party for the six months ended 30 June 2015 was $8,810,000 *(3 March to 30 June 2014: $3,439,000)*.

Harkand Da Vinci Interco Inc.

At the balance sheet date the Group had an inter-company receivable amount due from its related party company Harkand Da Vinci Interco Inc. of $21,340,000 *(31 December 2014: $12,530,000)*. The total charter hire charged to the related party during the period was $8,810,000 *(3 March to 30 June 2014: $3,439,000)*.

Integrated Subsea Services Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Integrated Subsea Services Limited of $32,965,000 *(31 December 2014: $18,894,000)*.

Harkand (AME) Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Harkand AME Limited of $9,169,000 *(31 December 2014: $1,144,000)*.

Iremis Interco Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Iremis Interco Limited of $88,000 *(31 December 2014: $88,000)*.

Harkand Global Holdings Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Harkand Global Holdings Limited of $2,987,000 *(31 December 2014: $652,000)*.

Iremis Atlantis Marine Investment Inc.

At the balance sheet date the Group had an inter-company payable amount due to its related party company Iremis Atlantis Marine Investment Inc. of $84,000 *(31 December 2014: $nil)*.

Iremis Da Vinci Marine Investment Inc.

At the balance sheet date the Group had an inter-company payable amount due to its related party company Iremis Atlantis Marine Investment Inc. of $19,000 *(31 December 2014: $nil)*.

17. Capital commitments

The Company has no capital commitments as at 30 June 2015 *(31 December 2014: none)*.

18. Subsequent events

In the period between the reporting date and the approval of these financial statements, the repayments and interest rate on the company's bond were amended on 07 July 2015. See note 12.

HARKAND ISSUER PARENT LIMITED

Unaudited Interim Consolidated Financial Statements

For the three months ended 30 June 2015

HARKAND ISSUER PARENT LIMITED

Contents

HARKAND ISSUER PARENT LIMITED

Company information

Directors
Jabir Chakib
Ben Gujral (Appointed 7 April 2015)

Registered office
57/63 Line Wall Road, Gibraltar

Registered number
111209

HARKAND ISSUER PARENT LIMITED

Unaudited Interim Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 $000	31 December 2014 $000
Non-current assets			
Property, plant and equipment	8	297,171	303,356
Other non-current assets	9	16,619	19,312
		313,790	322,668
Current assets			
Trade and other receivables	10	42,679	25,060
Cash and cash equivalents		625	25
		43,304	25,085
Total assets		357,094	347,753
Current liabilities			
Trade and other payables	11	41,089	20,818
Interest-bearing loans and borrowings	12	4,263	24,456
		45,352	45,274
Non-current liabilities			
Interest-bearing loans and borrowings	12	213,791	202,871
		213,791	202,871
Total liabilities		259,143	248,145
Net assets		97,951	99,608
Equity attributable to equity holders of the parent			
Share capital	13	-	-
Capital contribution reserve	13	97,748	97,748
Retained earnings		203	1,860
Total equity		97,951	99,608

HARKAND ISSUER PARENT LIMITED

Unaudited Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015	**2014**	**2015**	**2014**
		$000	**$000**	**$000**	**$000**
Revenue		8,810	6,721	17,620	6,878
Cost of sales	6	(3,466)	(2,550)	(6,682)	(2,550)
Gross profit		5,344	4,171	10,938	4,328
Administration expenses		(1,031)	(99)	(1,042)	(99)
Operating profit		4,313	4,072	9,896	4,229
Finance expense	5	(6,827)	(4,686)	(11,553)	(4,843)
Net financing cost		**(6,827)**	**(4,686)**	**(11,553)**	**(4,843)**
(Loss) before tax		**(2,514)**	**(614)**	**(1,657)**	**(614)**
Taxation	7	-	-	-	-
(Loss) for the period from continuing operations		**(2,514)**	**(614)**	**(1,657)**	**(614)**
Attributable to:					
Equity holders of the parent		**(2,514)**	**(614)**	**(1,657)**	**(614)**
Other comprehensive income					
Total comprehensive income for the period from continuing operations		(2,514)	(614)	(1,657)	(614)
Attributable to:					
Equity holders of the parent		(2,514)	(614)	(1,657)	(614)

Unaudited Interim Consolidated Statement of Changes in Equity

As at 30 June 2015

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	$000	$000	$000	$000
As at 31 December 2014	-	97,748	1,860	**99,608**
Total comprehensive income for the period	-	-	(1,657)	**(1,657)**
As at 30 June 2015	-	97,748	203	**97,951**

As at 31 December 2014

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	$000	$000	$000	$000
As at incorporation	-	-	-	**-**
Capital contribution received	-	97,748	-	**97,748**
Total comprehensive income for the period	-	-	1,860	**1,860**
As at 31 December 2014	-	97,748	1,860	**99,608**

Unaudited Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
		$000	$000	$000	$000
Cash flows from operating activities					
(Loss) before tax		(2,514)	(614)	(1,657)	(614)
Adjustments to reconcile profit from operations to net cash flows:					
Depreciation	6	3,466	2,550	6,682	2,550
Finance cost	5	6,827	4,686	11,553	4,843
Increase in trade and other receivables		(15,427)	(16,721)	(14,926)	(16,878)
Increase in trade and other payables		8,471	99	18,069	99
Net cash generated from operating activities		**823**	**(10,000)**	**19,721**	**(10,000)**
Cash flows from investing activities					
Acquisition of tangible assets		(213)	(212,252)	(497)	(212,252)
Net cash used in investing activities		**(213)**	**(212,252)**	**(497)**	**(212,252)**
Cash flows from financing activities					
Proceeds from bond issue	12	-	-	-	230,000
Bond repayment		-	-	(10,000)	-
Bond interest paid		-	-	(8,624)	-
Financing costs paid		-	(7,748)	-	(7,748)
Net cash (used in)/generated from financing activities		**-**	**(7,748)**	**(18,624)**	**222,252**
Net increase/(decrease) in cash and cash equivalents		610	(230,000)	600	-
Cash and cash equivalents brought forward		15	230,000	25	-
Cash and cash equivalents at 30 June		**625**	**-**	**625**	**-**

Notes to Unaudited Interim Consolidated Financial Statements

1. Reporting entity

The Company was incorporated on 4 March 2014 and is domiciled in the Gibraltar.

On 28 March 2014 the Company completed the issue of secured senior notes ("Bond"). In connection with the release of the proceeds from the Bond, the Company became the owner through its two subsidiary companies, of two Dive Support Vessels ("DSVs"). The DSVs are chartered to related companies, which are market-leading global names in subsea inspection, repair, maintenance and survey of offshore oil and gas fields.

2. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Group's annual financial statements and notes for the year ended 31 December 2014. These interim consolidated financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2014 and the accompanying notes.

3. Summary of significant accounting policies

Going concern

The unaudited condensed interim financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

During the three months ended 30 June 2015 the Directors successfully completed the strategic plan and cost-reduction measures disclosed in the audited financial statements for the period ended 31 December 2014. The combination of these actions, which included deferral of bond repayments, has provided greater stability in challenging market conditions.

4. Summary of estimates, judgements and assumptions

The preparation of the Group's interim consolidated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. However, uncertainty about these estimates, judgements and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

There has been no substantial change in the Group's critical accounting estimates since the annual consolidated financial statements as at and for the year ended 31 December 2014. The comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 30 June 2015 interim consolidated financial statements.

Notes to Unaudited Interim Consolidated Financial Statement (continued)

5. Finance expense

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Interest expense on financial liabilities measured at amortised cost	4,125	4,299	8,431	4,456
Amortisation of deferred financing cost	500	387	920	387
Cost of bond amendment	2,200	-	2,200	-
Other finance expenses	2	-	2	-
	6,827	**4,686**	**11,553**	**4,843**

6. Other expenses included in the statement of comprehensive income

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Auditor's remuneration	-	-	-	-
Depreciation	3,466	2,550	6,682	2,550

The auditor's remuneration was paid by a fellow group company.

7. Taxation

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Corporation tax	-	-	-	-

Reconciliation of tax expense and the accounting profit multiplied by the Company's tax rate for the period:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	$000	$000	$000	$000
Accounting (loss) before tax	(2,514)	(614)	(1,657)	(614)
At the Company's statutory tax rate of 0%	-	-	-	-
Total tax charge for the period	-	-	-	-

The Company's operations are carried out in the Marshall Islands, where corporate income tax rate is nil. As such no corporate tax liability arises on the Company's operations.

8. Property, plant and equipment

Group	Marine and equipment tools	Vessels	Total
	$000	$000	$000
Cost			
Balance at incorporation	-	-	-
Additions	-	312,163	312,163
Balance at 31 December 2014	-	312,163	312,163
Additions	497	-	497
Balance at 30 June 2015	**497**	**312,163**	**312,660**
Depreciation			
Balance at incorporation	-	-	-
Depreciation charge for the period	-	8,807	8,807
Balance at 31 December 2014	-	8,807	8,807
Depreciation charge for the period	31	6,651	6,682
Balance at 30 June 2015	**31**	**15,458**	**15,489**
Net book value			
At 30 June 2015	**466**	**296,705**	**297,171**
At 31 December 2014	-	303,356	303,356

Vessels

The Group acquired the vessels through a restructuring for $310 million. The vessels are mortgaged as security against the bond held by the company.

9. Other non-current assets

	30 June 2015	31 December 2014
	$000	$000
Restricted cash	16,619	19,312

Other non-current assets include $10 million of restricted cash, which is held in a separate account. This is part of the covenant compliance required of the Bond (note 12).

10. Trade and other receivables

	30 June *2015* *$000*	31 December *2014* *$000*
Amount due from related parties	42,679	25,060
	42,679	**25,060**

No interest is charged on amounts due from related parties, which are repayable on demand.

11. Trade and other payables

	30 June *2015* *$000*	31 December *2014* *$000*
Trade payables	-	18
Accrued expenses	3,158	22
Amounts due to related parties	37,931	20,778
	41,089	**20,818**

No interest is charged on amounts due to related parties, which are payable on demand.

12. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	30 June 2015 $000	31 December 2014 $000
Bond	218,054	227,327
	218,054	**227,327**
Due in less than one year	4,263	24,456
Due in more than one year	213,791	202,871
	218,054	**227,327**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

Bond	30 June 2015 $000	31 December 2014 $000
Bond	224,263	234,456
Less: unamortised deferred financing costs	(6,209)	(7,129)
	218,054	**227,327**
Due in less than one year	4,263	24,456
Due in more than one year	213,791	202,871
	218,054	**227,327**

	Currency	Nominal interest rate	Year of maturity	Face value 30 June 2015 $000	Face value 31 December 2014 $000	Carrying value 30 June 2015 $000	Carrying value 31 December 2014 $000
Bond	USD	7.5%	2019	224,263	234,456	218,054	227,327

On 28 March 2014 Harkand Finance Inc., closed its offering of $230,000,000 aggregate principal amount ("Bond") by way of a private placement. The Bond bears interest of 7.5% per annum on the principal outstanding. Amortisation repayments to the principal of $10,000,000 are to be made in March and September each year starting in 2015. The final repayment and settlement of the remaining principal of $150,000,000 will be made on 28 March 2019. As at 30 June 2015 the carrying value of the Bond included unamortised financing costs of $6,209,000 (2014: £7,129,000).

On 28 May 2015 the Company negotiated and agreed with certain of the significant bondholders the terms of an amendment to the Bond Agreement and certain finance documents (together the "Amendment"), As part of the Amendment the next three amortisation payments due under the Bond Agreement have been deferred to the maturity date., which is 28 March 2019.

Following the Amendment, and effective as of 07 July 2015, the Bond shall accrue cash interest at a rate of 7.8% per annum, which shall be payable semi-annually in March and September. In addition payment in kind (PIK) interest shall accrue on the outstanding Bond principal at a rate of 0.6% per annum, payable semi-annually in March and September by way of issuance of additional bonds.

Notes to Unaudited Interim Consolidated Financial Statement (continued)

13. Capital and reserves

Share capital

	Ordinary shares 30 June 2015 $000	Ordinary shares 31 December 2014 $000
Allotted, called up and fully paid		
100 Ordinary shares of $1 each	-	-

All company's shares are classified as shareholders' funds. During the period the Company did not issue any shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares are not redeemable.

Dividends

No dividends were recommended or recognised during the period.

Capital contribution

During the period ended 31 December 2014 a capital contribution was made of $97.7 million from the Company's immediate parent company.

14. Financial instruments

Fair values of financial instruments

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the statement of financial position are as follows:

	Fair value 30 June 2015 $000	Carrying amount 30 June 2015 $000
IAS 39 categories of financial instruments		
Loans and receivables		
Trade and other receivables excluding prepayments (note 10)	42,679	42,679
Cash and cash equivalents	625	625
Total loans and receivables	43,304	43,304
Financial liabilities measured at amortised cost		
Trade and other payables (note 11)	(41,089)	(41,089)
Other interest-bearing loans and borrowings (note 12)	(224,263)	(218,054)
Total financial liabilities measured at amortised cost	(265,352)	(259,143)
Total financial instruments	(222,048)	(215,839)

Notes to Unaudited Interim Consolidated Financial Statement (continued)

14. Financial instruments (continued)

Group	Fair value	Carrying amount
	31 December 2014	31 December 2014
	$000	$000
IAS 39 categories of financial instruments		
Loans and receivables		
Trade and other receivables excluding prepayments (note 10)	25,060	25,060
Cash and cash equivalents	25	25
Total loans and receivables	25,085	25,085
Financial liabilities measured at amortised cost		
Trade and other payables (note 11)	(20,818)	(20,818)
Other interest-bearing loans and borrowings (note 12)	(234,456)	(227,327)
Total financial liabilities measured at amortised cost	(255,274)	(248,145)
Total financial instruments	(230,189)	(223,060)

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Credit risk

Bank balance and deposits

The Group seeks to limit its credit risk with regard to bank balances and deposits by only dealing with reputable banks.

The maximum exposure to credit risk at the statement of financial position date by class of financial instrument was:

	30 June 2015	31 December 2014
	$000	$000
Cash and cash equivalents	625	25

Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk to a shortage of funds by considering the projected cash flows from its vessel owning subsidiaries.

15. Ultimate parent company

The ultimate parent is OCM European Principal Opportunities Fund II, L.P, incorporated in the Cayman Islands. Oaktree Capital Management L.P, incorporated in the United States of America, controls the Group by virtue of being the investment manager of the fund.

16. Related party transactions

During the period the Group has had transactions with the following related parties:

Harkand Atlantis Interco Inc.

At the balance sheet date the Group had an inter-company receivable amount due from its related party company Harkand Atlantis Interco Inc. of $21,340,000 *(31 December 2014: $12,530,000)*. The total charter revenue charged to the related party for the six months ended 30 June 2015 was $8,810,000 *(3 March to 30 June 2014: $3,439,000)*.

Harkand Da Vinci Interco Inc.

At the balance sheet date the Group had an inter-company receivable amount due from its related party company Harkand Da Vinci Interco Inc. of $21,340,000 *(31 December 2014: $12,530,000)*. The total charter hire charged to the related party during the period was $8,810,000 *(3 March to 30 June 2014: $3,439,000)*.

Integrated Subsea Services Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Integrated Subsea Services Limited of $32,965,000 *(31 December 2014: $18,894,000)*.

Harkand (AME) Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Harkand AME Limited of $9,169,000 *(31 December 2014: $1,144,000)*.

Iremis Interco Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Iremis Interco Limited of $88,000 *(31 December 2014: $88,000)*.

Harkand Global Holdings Limited

At the balance sheet date the Group had an inter-company payable amount due to its related party company Harkand Global Holdings Limited of $2,987,000 *(31 December 2014: $652,000)*.

Iremis Atlantis Marine Investment Inc.

At the balance sheet date the Group had an inter-company payable amount due to its related party company Iremis Atlantis Marine Investment Inc. of $84,000 *(31 December 2014: $nil)*.

Iremis Da Vinci Marine Investment Inc.

At the balance sheet date the Group had an inter-company payable amount due to its related party company Iremis Atlantis Marine Investment Inc. of $19,000 *(31 December 2014: $nil)*.

17. Capital commitments

The Company has no capital commitments as at 30 June 2015 *(31 December 2014: none)*.

18. Subsequent events

In the period between the reporting date and the approval of these financial statements, the repayments and interest rate on the company's bond were amended on 07 July 2015. See note 12 for details.