Harkand EMEA Group

Unaudited Condensed Interim Aggregated Financial Statements

For the three and nine months ended 30 September 2015

HARKAND EMEA GROUP

Contents

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Note	30 September 2015 $000	31 December 2014 $000
Non-current assets			
Property, plant and equipment	9	332,614	350,220
Goodwill and intangible assets	10	42,249	44,489
Other non-current assets		14,386	20,512
		389,249	**415,221**
Current assets			
Inventories		1,340	1,096
Trade and other receivables		11,122	23,160
Intercompany receivables		226,326	176,147
Cash and cash equivalents		6,856	22,698
Other assets		589	199
Deferred expenditure		2,580	4,829
		248,813	**228,129**
Total assets		**638,062**	**643,350**
Current liabilities			
Trade and other payables		(33,159)	(29,742)
Intercompany payables		(86,484)	(47,919)
Interest-bearing loans and borrowings	11	(95)	(24,456)
Income Tax payable		(1,173)	(3,471)
Other financial liabilities	11	(7,054)	(6,966)
Provisions		-	(3,184)
		(127,965)	**(115,738)**
Non-current liabilities			
Interest-bearing loans and borrowings	11	(211,224)	(202,871)
Other financial liabilities	11	(14,134)	(19,791)
Deferred tax liabilities		(2,094)	(2,787)
Provisions		(3,184)	-
		(230,636)	**(225,449)**
Total liabilities		**(358,601)**	**(341,187)**
Net assets		**279,461**	**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		(653)	957
Retained earnings		(20,576)	516
Total equity		**279,461**	**302,163**

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2015

	Notes	For the three months ended 30 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 September 2015	For the period ended 30 September 2014
		$000	$000	$000	$000
Revenue		58,238	108,434	138,027	186,170
Cost of sales		(47,222)	(83,710)	(122,122)	(131,123)
Gross profit		11,016	24,724	15,905	55,047
Other income		5,000	-	5,000	-
Administrative expenses		(6,471)	(8,653)	(23,316)	(14,666)
Operating profit/(loss) [1]	7	9,545	16,071	(2,411)	40,381
Finance expense	6	(7,417)	(5,035)	(17,881)	(11,398)
Net financing cost		**(7,417)**	**(5,035)**	**(17,881)**	**(11,398)**
(Loss) /profit before tax		**2,128**	**11,036**	**(20,292)**	**28,983**
Taxation	8	450	(1,950)	(800)	(4,900)
(Loss)/ profit for the period from continuing operations		**2,578**	**9,086**	**(21,092)**	**24,083**

For the three and nine months ended 30 September 2015

	For the three months ended 30 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 September 2015	For the period ended 30 September 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	(3,341)	(6,704)	(1,610)	(2,178)
Other comprehensive income for the period, net of income tax	**(3,341)**	**(6,704)**	**(1,610)**	**(2,178)**
Total comprehensive income for the period from continuing operations	**(763)**	**2,382**	**(22,702)**	**21,905**

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 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 September 2015	For the period ended 30 September 2014
	$000	**$000**	**$000**	**$000**
Operating (loss)/ profit	9,545	16,071	(2,411)	40,381
Add back Depreciation	5,919	6,406	17,521	11,200
Add back Amortisation	404	511	1,238	871
(Less)/Add back Exceptional costs	(1,000)	600	975	1,836
Less Other Income	(5,000)	-	(5,000)	-
Earnings Before Interest, Tax, Depreciation and Amortisation and exceptional costs (Adjusted EBITDA)	**9,868**	**23,588**	**12,323**	**54,288**

HARKAND EMEA GROUP

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF CHANGES IN EQUITY

At 30 September 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	-	-	-	-	(1,610)	(21,092)	(22,702)
As at 30 September 2015	4	31,339	235,617	33,730	(653)	(20,576)	**279,461**

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 nine months ended 30 September 2015

		For the three months ended 30 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 September 2015	For the period ended 30 September 2014
		$000	$000	$000	$000
Cash flows from operating activities					
(Loss) /profit before tax		2,128	11,036	(20,292)	28,983
Adjustments to reconcile profit from operations to net cash flows:					
Depreciation of property, plant and equipment	9	5,919	6,406	17,521	11,200
Amortisation of intangible assets	10	404	511	1,238	871
Exceptional expense		-	600	-	1,836
Foreign exchange loss		(1,845)	(3,730)	(831)	(3,610)
Finance expense	6	7,417	5,035	17,881	11,398
Decrease/(increase) in inventory		687	954	(244)	(27)
Decrease/(Increase) in trade and other receivables		20,406	(4,277)	24,216	(53,210)
(Decrease)/increase in trade and other payables		426	(2,770)	1,952	10,040
Increase in intercompany balances		(22,118)	(3,173)	(15,807)	(6,748)
Taxes paid		(154)	(9)	(3,743)	(102)
Net cash generated from operating activities		**13,270**	**10,583**	**21,891**	**631**
Cash flows from investing activities					
Cash payments to acquire property, plant and equipment		(394)	(915)	(1,012)	(1,307)
Net cash used in investing activities		**(394)**	**(915)**	**(1,012)**	**(1,307)**
Cash flows from financing activities					
Interest paid		(8,660)	(9,322)	(17,845)	(12,110)
Refund of guarantee		-	-	-	6,925
Proceeds from bond		-	-	-	230,000
Bond repayment		-	-	(10,000)	-
Financing costs		(2,974)	-	(2,974)	(7,748)
Repayment of previous debt facilities		-	-	-	(135,889)
Repayment of related party loan		-	-	-	(76,363)
Finance lease payments		(1,986)	(1,705)	(5,902)	(3,393)
Net cash used in financing activities		**(13,620)**	**(11,027)**	**(36,721)**	**1,422**
Net (decrease)/increase in cash and cash equivalents		**(744)**	**(1,359)**	**(15,842)**	**746**
Cash and cash equivalents brought forward		7,600	14,040	22,698	11,935
Cash and cash equivalents at 30 September		**6,856**	**12,681**	**6,856**	**12,681**

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF CASH FLOWS

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 aggregated financial statements reflect the performance of Harkand EMEA Group for the nine month period ended 30 September 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 nine months ended 30 September 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 unaudited condensed 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.

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF CASH FLOWS

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.

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.

New standards, interpretations and amendments thereof not yet effective (continued)

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.

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%
Integrated Subsea Services Canada Ltd	Canada	Ordinary	49%
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	96%
Harkand Africa Limited	England	Ordinary	100%
Harkand Contracting Limited	England	Ordinary	100%
Harkand Contracting Services Nigeria Limited	Nigeria	Ordinary	49%
Harkand Angola Limited	England	Ordinary	100%
Harkand Congo Ltd	England	Ordinary	100%

UNAUDITED CONDENSED INTERIM AGGREGATED STATEMENT OF CASH FLOWS

6. Finance expense

	For the three months ended 30 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 September 2015	For the period ended 30 September 2014
	$000	$000	$000	$000
Total interest expense on financial liabilities measured at amortised cost	4,568	4,313	12,999	8,769
Other fees and charges	(1,459)	544	1,873	1,370
Net foreign exchange differences	4,054	(192)	2,200	440
Finance charges payable under finance lease and hire purchase contracts	254	370	809	819
	7,417	**5,035**	**17,881**	**11,398**

At 30 June 2015 the bond amendment was not yet effective so a provision for the bond amendment fee of $2.2m was recorded in the Unaudited Interim Statement of Comprehensive Income within finance costs for prudence. Following the bond amendment, which was completed on 7 July 2015 (see note 11), management concluded that the amended bond did not qualify as an extinguishment of the original bond under IFRS. Therefore the provision for the bond amendment fee was released to deferred financing costs set against the bond (note 11), which will be amortised through finance costs in the Unaudited Interim Statement of Comprehensive Income over the remaining duration of the bond.

7. Other expenses included in the statement of comprehensive income

	For the three months ended 30 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 September 2015	For the period ended 30 September 2014
	$000	$000	$000	$000
Depreciation	5,919	6,406	17,521	11,200
Amortisation of intangible assets	404	511	1,238	871
Lease payments recognised as an operating lease expense	5,186	16,439	16,934	23,831
Other income	(5,000)	-	(5,000)	-

During the three months ended 30 September 2015 the Harkand EMEA Group received $5m in respect of a previously fully provided trade receivable. This has been recognised in other income within the Unaudited Interim Statement of Comprehensive Income.

8. Taxation

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

	For the three months ended 30 September 2015	For the three months ended 30 September 2014	For the nine months ended 30 Septembe r 2015	For the period ended 30 September 2014
	$000	*$000*	*$000*	*$000*
UK and foreign corporation tax:				
Current income tax charge	(217)	1,950	1,462	4,900
Deferred tax:				
Relating to the origination and reversal of temporary differences	(233)	-	(662)	-
Income tax reported in the statement of comprehensive income	(450)	1,950	800	4,900

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	-	-	1,012	-	1,012
Exchange differences	-	(13)	(2,395)	-	(2,408)
Balance at 30 September 2015	312,163	546	96,086	-	408,795
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	10,023	51	7,447	-	17,521
Exchange differences	-	(10)	(1,301)	-	(1,311)
Balance at 30 September 2015	18,830	429	56,922	-	76,181
Net book value					
At 31 December 2014	303,356	171	46,693	-	350,220
At 30 September 2015	**293,333**	**117**	**39,164**	**-**	**332,614**

9. Property, plant and equipment (continued)

Leased plant and machinery
At 30 September 2015 the carrying amount of property, plant and equipment leased was $36 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 $293 million (2014: $303 million) are mortgaged as security against borrowings.

10. Goodwill and Intangible assets

	Goodwill $000	Customer relationships $000	Total $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	(766)	(359)	(1,125)
Balance at 30 September 2015	31,543	15,877	47,420
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	-	1,238	1,238
Exchange differences	-	(123)	(123)
Balance at 30 September 2015	-	5,171	5,171
Net book value			
At 31 December 2014	32,309	12,180	44,489
At 30 September 2015	**31,543**	**10,706**	**42,249**

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 September 2015 $000	31 December 2014 $000
Bond	211,319	227,327
	211,319	**227,327**
Due in less than one year	95	24,456
Due in more than one year	211,224	202,871
	211,319	**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 September 2015 $000	31 December 2014 $000
Bond	220,426	234,456
Less: unamortised deferred financing costs	(9,107)	(7,129)
	211,319	**227,327**
Due in less than one year	95	24,456
Due in more than one year	211,224	202,871
	211,319	**227,327**

	Currency	Nominal interest rate	Year of maturity	Face value 30 September 2015 $000	Face value 31 December 2014 $000	Carrying value 30 September 2015 $000	Carrying value 31 December 2014 $000
Bond	USD	7.8%	2019	220,000	230,000	211,319	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 7.8% 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 September 2015, the carrying value of the Bond included unamortised financing costs of $9,107,000 (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. The Amended Bond Agreement contains an Excess Cash Flow mechanism whereby 50% of the excess cash in the Harkand EMEA Group will be used to repay all or part of the current deferred amortisation payment. The Harkand EMEA Group is defined as having Excess Cash Flow, as per the Amended Bond Agreement, when quarterly EBITDA less tax paid, finance charges, capital expenditure and working capital requirements for the next two quarters is greater than $8m. During the three months ended 30 September 2015 the Harkand EMEA Group had Excess Cash Flow of nil.

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.

At 30 June 2015 the bond amendment was not yet effective so a provision for the bond amendment fee of $2.2m (note 6) and legal fees of $1.3m were recorded in the Unaudited Interim Statement of Comprehensive Income within finance costs for prudence. Following the bond amendment, management concluded that the amended bond did not qualify as an extinguishment of the original bond under IFRS. Therefore the provisions for the bond amendment fee and legal fees were released to deferred financing costs set against the bond, which will be amortised through finance costs in the Unaudited Interim Statement of Comprehensive Income over the remaining duration of the bond.

Liquidity Facility

During June 2015 the Group's shareholder provided a Liquidity Facility of $25,000,000. At 30 September 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 September 2015	**30 September 2015**	**30 September 2015**
	$000	*$000*	*$000*
Less than one year	7,811	(757)	7,054
Between one and five years	15,388	(1,254)	14,134
	23,199	(2,011)	21,188

	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 September 2015 $000	Carrying amount at 30 September 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	6,856	6,856	22,698	22,698
Trade and other receivables excluding prepayments	238,508	238,508	217,760	217,760
Total loans and receivables	245,364	245,364	240,458	240,458

	Fair value at 30 September 2015 $000	Carrying amount at 30 September 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	(230,426)	(211,319)	(234,456)	(227,327)
Other financial liabilities	(23,199)	(21,188)	(29,601)	(26,757)
Total financial liabilities measured at amortised cost	(253,625)	(232,507)	(264,057)	(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 September 2015 $000	31 December 2014 $000
Less than one year	6,652	12,869
Between one and five years	1,523	1,434
More than five years	717	1,010
	8,892	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 the consolidated 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 completion of the financial statements, there were no events that require disclosure.

HARKAND FINANCE INC.

Unaudited Interim Consolidated Financial Statements

For the three and nine months ended 30 September 2015

HARKAND FINANCE INC.

Contents

HARKAND FINANCE INC.

Company information

Directors

Jabir Chakib	(Resigned 30 September 2015)
Ben Gujral	(Appointed 7 April 2015)
Martin Eckel	(Appointed 6 October 2015)
Hugo Newman	(Appointed 6 October 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 September 2015

	Note	30 September 2015 $000	31 December 2014 $000
Non-current assets			
Property, plant and equipment	8	293,984	303,356
Other non-current assets	9	10,002	19,312
		303,986	322,668
Current assets			
Trade and other receivables	10	51,490	25,060
Cash and cash equivalents		213	25
		51,703	25,085
Total assets		355,689	347,753
Current liabilities			
Trade and other payables	11	43,041	20,796
Interest-bearing loans and borrowings	12	95	24,456
		43,136	45,252
Non-current liabilities			
Interest-bearing loans and borrowings	12	211,224	202,871
		211,224	202,871
Total liabilities		254,360	248,123
Net assets		101,329	99,630
Equity attributable to equity holders of the parent			
Share capital	13	-	-
Capital contribution reserve	13	97,748	97,748
Retained earnings		3,581	1,882
Total equity		101,329	99,630

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Comprehensive Income

For the three and nine months ended 30 September 2015

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
		$000	$000	$000	$000
Revenue		8,810	9,372	26,430	16,250
Cost of sales	6	(3,430)	(3,100)	(10,112)	(5,650)
Gross profit		5,380	6,272	16,318	10,600
Administration expenses		933	-	(131)	-
Operating profit		6,313	6,272	16,187	10,600
Finance expense	5	(2,935)	(4,701)	(14,488)	(9,544)
Net financing cost		**(2,935)**	(4,701)	**(14,488)**	(9,544)
Profit before tax		**3,378**	1,571	**1,699**	1,056
Taxation	7	-	-	-	-
Profit for the period from continuing operations		**3,378**	1,571	**1,699**	1,056
Attributable to:					
Equity holders of the parent		**3,378**	1,571	**1,699**	1,056
Other comprehensive income					
Total comprehensive income for the period from continuing operations		3,378	1,571	1,699	1,056
Attributable to:					
Equity holders of the parent		3,378	1,571	1,699	1,056

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Changes in Equity

As at 30 September 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	-	-	1,699	**1,699**
As at 30 September 2015	-	97,748	3,581	**101,329**

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 three and nine months ended 30 September 2015

	Note	Three months ended 30 September 2015 $000	Three months ended 30 September 2014 $000	Nine months ended 30 September 2015 $000	Nine months ended 30 September 2014 $000
Cash flows from operating activities					
Profit before tax		3,378	1,571	1,699	1,056
Adjustments to reconcile profit from operations to net cash flows:					
Depreciation	6,8	3,430	3,100	10,112	5,650
Finance cost	5	2,935	4,701	14,488	9,544
Increase in trade and other receivables		(2,194)	(9,372)	(17,120)	(26,250)
Increase in trade and other payables		3,660	8,650	21,751	8,650
Net cash generated from operating activities		**11,209**	**8,650**	**30,931**	**(1,350)**
Cash flows from investing activities					
Acquisition of tangible assets	8	(243)	-	(740)	(212,252)
Net cash used in investing activities		**(243)**	**-**	**(740)**	(212,252)
Cash flows from financing activities					
Proceeds from bond issue	12	-	-	-	230,000
Bond repayment		-	-	(10,000)	-
Bond interest paid		(8,404)	(8,625)	(17,028)	(8,625)
Financing costs paid		(2,974)	-	(2,974)	(7,748)
Net cash (used in) financing activities		**(11,378)**	**(8,625)**	**(30,002)**	**213,627**
Net (decrease)/increase in cash and cash equivalents		(412)	25	188	25
Cash and cash equivalents brought forward		625	-	25	-
Cash and cash equivalents at 30 September		**213**	**25**	**213**	**25**

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 nine months ended 30 September 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 comparatives included within the statement of comprehensive income, and notes to the interim consolidated financial statements therein, are for the period ended 30 September 2014.

5. Finance expense

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	$000	$000	$000	$000
Interest expense on financial liabilities measured at amortised cost	4,567	4,313	12,998	8,769
Amortisation of deferred financing cost	570	388	1,490	775
Cost of bond amendment	(2,200)	-	-	-
Other finance expenses	(2)	-	-	-
	2,935	**4,701**	**14,488**	**9,544**

At 30 June 2015 the bond amendment was not yet effective so a provision for the bond amendment fee of $2.2m was recorded in the Unaudited Interim Statement of Comprehensive Income within finance costs for prudence. Following the bond amendment, which was completed on 7 July 2015 (See note 12), management concluded that the amended bond did not qualify as an extinguishment of the original bond under IFRS. Therefore the provision for the bond amendment fee was released to deferred financing costs set against the bond (note 12), which will be amortised through finance costs in the Unaudited Interim Statement of Comprehensive Income over the remaining duration of the bond.

6. Other expenses included in the statement of comprehensive income

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	$000	$000	$000	$000
Depreciation	3,430	3,100	10,112	5,650

Notes to Unaudited Interim Consolidated Financial Statements (continued)

7. Taxation

	Three months ended 30 September		Nine months ended 30 September	
	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 September		Nine months ended 30 September	
	2015	2014	2015	2014
	$000	$000	$000	$000
Accounting profit before tax	3,378	1,571	1,699	1,056
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 tools and equipment	Vessels	Total
	$000	$000	$000
Cost			
Balance at incorporation	-	-	-
Additions	-	312,163	312,163
Balance at 31 December 2014	-	312,163	312,163
Additions	740	-	740
Balance at 30 September 2015	**740**	**312,163**	**312,903**
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	89	10,023	10,112
Balance at 30 September 2015	**89**	**18,830**	**18,919**
Net book value			
At 30 September 2015	**651**	**293,333**	**293,984**
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 September 2015	31 December 2014
	$000	$000
Restricted cash	10,002	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 September *2015* $000	31 December *2014* $000
Amount due from related parties	51,490	25,060
	51,490	**25,060**

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

11. Trade and other payables

	30 September *2015* $000	31 December *2014* $000
Trade payables	357	18
Accruals	172	-
Amounts due to related parties	42,512	20,778
	43,041	**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 September 2015 $000	31 December 2014 $000
Bond	211,319	227,327
	211,319	**227,327**
Due in less than one year	95	24,456
Due in more than one year	211,224	202,871
	211,319	**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 September 2015 $000	31 December 2014 $000
Bond	220,426	234,456
Less: unamortised deferred financing costs	(9,107)	(7,129)
	211,319	**227,327**
Due in less than one year	95	24,456
Due in more than one year	211,224	202,871
	211,319	**227,327**

	Currency	Nominal interest rate	Year of maturity	Face value 30 September 2015 $000	Face value 31 December 2014 $000	Carrying value 30 September 2015 $000	Carrying value 31 December 2014 $000
Bond	USD	7.8%	2019	220,000	230,000	211,319	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 7.8% 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 September 2015 the carrying value of the Bond included unamortised financing costs of $9,107,000 (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. The Amended Bond Agreement contains an Excess Cash Flow mechanism whereby 50% of the excess cash in the Harkand EMEA Group will be used to repay all or part of the current deferred amortisation payment. The Harkand EMEA Group is defined as having Excess Cash Flow, as per the Amended Bond Agreement, when quarterly EBITDA less tax paid, finance charges, capital expenditure and working capital requirements for the next two quarters is greater than $8m. During the three months ended 30 September 2015 the Harkand EMEA Group had Excess Cash Flow of nil.

12. Other interest-bearing loans and borrowings *(continued)*

Following the Amendment, and effective as of 07 July 2015, the Bond shall accrue 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.

At 30 June 2015 the bond amendment was not yet effective so a provision for the bond amendment fee of $2.2m (note 5) and legal fees of $1.3m were recorded in the Unaudited Interim Statement of Comprehensive Income within finance costs for prudence. Following the bond amendment, management concluded that the amended bond did not qualify as an extinguishment of the original bond under IFRS. Therefore the provisions for the bond amendment fee and legal fees were released to deferred financing costs set against the bond, which will be amortised through finance costs in the Unaudited Interim Statement of Comprehensive Income over the remaining duration of the bond.

13. Capital and reserves

Share capital

	Ordinary shares 30 September 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:

Group	Fair value	Carrying amount
	30 September 2015	30 September 2015
	$000	$000
IAS 39 categories of financial instruments		
Loans and receivables		
Trade and other receivables excluding prepayments (note 10)	51,490	51,490
Cash and cash equivalents	213	213
Total loans and receivables	51,703	51,703
Financial liabilities measured at amortised cost		
Trade and other payables (note 11)	(43,041)	(43,041)
Other interest-bearing loans and borrowings (note 12)	(220,426)	(211,319)
Total financial liabilities measured at amortised cost	(263,467)	(254,360)
Total financial instruments	(211,764)	(202,657)

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.

14. Financial instruments (continued)

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 September 2015 $000	31 December 2014 $000
Cash and cash equivalents	213	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 $25,745,000 *(31 December 2014: $12,530,000)*. The total charter revenue charged to the related party for the nine months ended 30 September 2015 was $13,215,000 *(30 September 2014: $8,125,000)*.

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 $25,745,000 *(31 December 2014: $12,530,000)*. The total charter hire charged to the related party during the period was $13,215,000 *(30 September 2014: $8,125,000)*.

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 $36,989,000 *(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 $9,376,000 *(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 $3,816,000 (3*1 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 September 2015 *(31 December 2014: none)*.

18. Subsequent events

In the period between the reporting date and the approval of these financial statements, there were no events that require disclosure.

Harkand EMEA Group
Management Discussion and Analysis
Quarter ended 30 September 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 September 2015 were:

- Mixed utilisation in the North Sea
- Sell rates vary as blend of work changes
- Survey performance stable
- Landmark contract win in West Africa

Mixed utilisation in the North Sea

Utilisation of the Group's vessels was good given market conditions.

The Atlantis worked well in the quarter with maximum utilisation in August. This is fruition from the framework agreements won earlier this year. It had suffered in July with a couple of off-hire days as a result of having to transit away from the field to obtain spares. The vessel continued work on its framework agreements in September and has high probability for utilization till end of December.

The Da Vinci transited to Trinidad in September and is performing well on its project. The project is managed via the North Sea operations. Utilisation in August was lower than forecast as it spent three weeks mobilising for its transit to Trinidad. July was a stronger month than forecasted with additional days hire on an existing contract.

After no utilisation in July the Go Electra achieved favourable utilisation compared to forecast as it picked up work on existing frame agreements.

Sell rates vary as blend of work changes

The blend of spot market and frame agreement days differed to forecast and hence the sell rates did fluctuate in the quarter. Spot market rates in the North Sea are expected to decline in the fourth quarter as price pressure continues.

The Atlantis achieved better rates in July and September than forecast. Its sell rates for August were on par with expectations.

The Da Vinci was moved to work in ROVSV mode in August which depressed its day rate. Its sell rate was reduced in September owing to mobilising over three weeks for the Trinidad project.

The Go Electra achieved sell rates per contracted work.

Survey performance stable

The Survey business performed in line with expectations.

Landmark contract win in West Africa

Harkand won a three year contract in Angola. This is a landmark achievement in Harkand's overall strategy to penetrate West Africa, which will enhance Harkand's reputation as the global leader in provision of subsea services. The contract will allow Harkand to make a real footprint in Angola with a view that this will be a stepping stone for further contracts in the country. Work continues well on the contract won in Nigeria. The commercial team continue their bidding activity with growing optimism.