HARKAND FINANCE INC.

Unaudited Interim Consolidated Financial Statements

For the period from 3 March 2014 to 30 September 2014

HARKAND FINANCE INC.

Contents

Company information

Director
Jabir Chakib — Appointed on 3 March 2014

Secretary
Szymon Stanislaw Dec — Appointed on 3 March 2014

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

Registered number
67322

Unaudited Interim Consolidated Statement of Financial Position

As at 30 September 2014

	Note	Group 30 September 2014 $000	Company 30 September 2014 $000
Non-current assets			
Property, plant and equipment	9	304,350	-
Investment in subsidiaries	10	-	-
Other non-current assets	11	10,000	10,000
		314,350	10,000
Current assets			
Trade and other receivables	12	16,250	310,000
Cash and cash equivalents		25	25
		16,275	310,025
Total assets		330,625	320,025
Current liabilities			
Trade and other payables	13	8,650	8,650
Interest-bearing loans and borrowings	14	20,144	20,144
		28,794	28,794
Non-current liabilities			
Interest-bearing loans and borrowings	14	203,027	203,027
		203,027	203,027
Total liabilities		231,821	231,821
Net assets		98,804	88,204
Equity attributable to equity holders of the parent			
Share capital	15	-	-
Capital contribution reserve	15	97,748	97,748
Retained earnings		1,056	(9,544)
		98,804	88,204
Non-controlling interest		-	-
Total equity		98,804	88,204

Unaudited Interim Consolidated Statement of Comprehensive Income

For the period from 3 March 2014 to 30 September 2014

	Note	Three months ended 30 September 2014 $000	Period ended 30 September 2014 $000
Revenue		9,372	16,250
Cost of sales	7	(3,100)	(5,650)
Gross profit		6,272	10,600
Operating profit		6,272	10,600
Finance expense	6	(4,701)	(9,544)
Net financing cost		(4,701)	(9,544)
Profit before tax		1,571	1,056
Taxation	8	-	-
Profit for the period from continuing operations		1,571	1,056
Attributable to:			
Equity holders of the parent		1,571	1,056
Other comprehensive income			
Total comprehensive income for the period from continuing operations		1,571	1,056
Attributable to:			
Equity holders of the parent		1,571	1,056

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Changes in Equity

As at 30 September 2014

	Share capital	Capital contribution reserve	Retained earnings	Total parent equity	Non- controlling interest	Total equity
	$000	$000	$000	$000	$000	$000
As at 3 March 2014	-	-	-	-	-	-
Capital contribution during the period	-	97,748	-	**97,748**	-	**97,748**
Total comprehensive income for the period	-	-	1,056	**1,056**	-	**1,056**
As at 30 September 2014	-	97,748	1,056	**98,804**	-	**98,804**

HARKAND FINANCE INC.

Unaudited Interim Consolidated Statement of Cash Flows

For the period from 3 March 2014 to 30 September 2014

	Note	Three months ended 30 September 2014 $000	Period ended 30 September 2014 $000
Cash flows from operating activities			
Profit before tax		1,571	1,056
Adjustments to reconcile profit from operations to net cash flows:			
Depreciation	7	3,100	5,650
Finance cost	6	4,701	9,544
Increase in trade and other receivables		(9,372)	(26,250)
Increase in trade and other payables		8,650	8,650
Net cash used in operating activities		**8,650**	**(1,350)**
Cash flows from investing activities			
Acquisition of vessels		-	(212,252)
Net cash generated/(used in) from investing activities		**-**	**(212,252)**
Cash flows from financing activities			
Proceeds from bond issue	14	-	230,000
Financing costs paid		-	(7,748)
Bond interest paid		(8,625)	(8,625)
Net cash (used in)/generated from financing activities		**(8,625)**	**213,627**
Net increase in cash and cash equivalents		25	25
Cash and cash equivalents brought forward		-	-
Cash and cash equivalents at 30 September		**25**	**25**

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. This market, as well as light construction/construction support, is sound and growing.

2. Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements and/or are expected to apply to subsequent periods.

3. Summary of significant accounting policies

3.1 Going concern

The Group financial statements have been prepared on a going concern basis.

The Directors have prepared and considered forecast cash flows (extended beyond one year from the signing of the financial statements) and the future operations of the Group. These considerations have included an assessment of forecast covenant compliance.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

3.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether potential voting rights contribute to control, the Group examines all facts and circumstances that affect potential voting rights, except the intention of management and the financial ability to exercise and convert such rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 Foreign currency

Functional and presentational currency

The Group's consolidated financial statements are presented in US Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currency are initially recorded by the Group entities at their respective functional currency exchange rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with recognition of gain or loss on change in the fair value item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in the same place).

3. Summary of significant accounting policies (continued)

3.4 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

3.5 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included as finance costs in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

3.6 Property, plant and equipment

Property, plant and equipment, other than vessels, are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Vessels 25 years

The residual value and useful life of each asset is reviewed at each financial period end and, if expectations differ from previous estimates, the changes are accounted for prospectively in the statement of comprehensive income in the period of the change and future periods. An increase in the residual value of an asset will decrease the depreciation charge for the period and future periods and vice versa.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds less cost of sale with the carrying amount and are recognised in the statement of comprehensive income.

An item of property, plant and equipment and any significant spare parts initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Vessels are measured at fair value less accumulated depreciation and impairment losses. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is credited to the asset revaluation reserve in equity.

Upon disposal, a revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.7 Dry docking and mobilisation expenditure

The Group's vessels are required to undergo periodic dry dockings for replacement of certain components, major repairs and maintenance of other components.

Dry docking surveys are generally required to be held twice within a five-year cycle, for bottom surveys and for repairs related to inspections, with a maximum of 36 months between inspections. An in-water survey may be permitted in lieu of a dry-docking for the intermediate survey, although the vessel must carry out a dry-docking in conjunction with a special survey.

Dry docking costs are capitalised and amortised in the statement of comprehensive income over the period to the next dry docking.

All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

3. Summary of significant accounting policies (continued)

3.8 Impairment of assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and there is observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Summary of significant accounting policies (continued)

3.9 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

3.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable, excluding taxes or duty and after eliminating revenue within the Group. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must be met before revenue is recognised.

Charter Hire

Revenues from time charter contracts including mobilisation/demobilisation fees are accounted for as the provision of a service and recognised on a reducing balance basis over the charter period. Accrued revenue is recognised for all hires to the end of the financial reporting period in respect of time charters in progress but not yet invoiced. Equally revenue is deferred where it has been invoiced in advance. Any contractual rate changes over the contract's term, to the extent they relate to the firm period of the contract, are taken into account when calculating the daily hire rate.

3.11 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Summary of significant accounting policies (continued)

3.12 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.13 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

3.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. The method for allocating gross earnings to accounting periods is referred to as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under an operating lease, the asset is included in the statement of comprehensive income based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

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 are no comparative interim consolidated financial statements since the Company was incorporated during the year.

5. New standards, interpretations and amendments adopted

The Group adopted the following standards on 4 March 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 consolidated 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.

6. Finance expense

	Three months ended 30 September 2014	Period ended 30 September 2014
	$000	$000
Interest expense on financial liabilities measured at amortised cost	4,313	8,769
Amortised deferred financing cost	388	775
	4,701	**9,544**

7. Other expenses included in the statement of comprehensive income

	Three months ended 30 September 2014	Period ended 30 September 2014
	$000	$000
Depreciation	3,100	5,650

8. Taxation

	Three months ended 30 September 2014	Period ended 30 September 2014
	$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 2014	Period ended 30 September 2014
	$000	$000
Accounting profit before tax	1,571	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.

9. Property, plant and equipment

Group	Vessels $000	Total $000
Cost		
Balance at incorporation	-	-
Acquisition through restructuring	310,000	310,000
Balance at 30 September 2014	**310,000**	**310,000**
Depreciation		
Balance at incorporation	-	-
Depreciation charge for the period	5,650	5,650
Balance at 30 September 2014	**5,650**	**5,650**
Net book value		
At 30 September 2014	**304,350**	**304,350**

Vessels

The Group acquired the vessels through a restructuring for $310,000,000. The vessels are mortgaged as security against the bond held by the parent company.

10. Investments

Company	30 September 2014 $000
Investment in subsidiaries	-

The nominal value of investment held in subsidiaries is $200.

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at 30 September 2014:

Name of company	Class of shares held	Proportion of voting rights and shares held	Nature of Business	Country of incorporation
Subsidiary undertakings:				
Harkand Atlantis Inc.	Ordinary	100%	Vessel owner	Marshall Islands
Harkand Da Vinci Inc.	Ordinary	100%	Vessel owner	Marshall Islands

11. Other non-current assets

	30 September 2014 $000
Restricted cash	10,000

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 14).

12. Trade and other receivables

	Group 30 September 2014 $000	Company 30 September 2014 $000
Intercompany receivable	16,250	310,000
	16,250	**310,000**

13. Trade and other payables

	Group 30 September 2014 $000	Company 30 September 2014 $000
Intercompany payable	8,650	8,650
	8,650	**8,650**

14. Interest-bearing loans and borrowings

Group	30 September 2014 $000
Bond	223,171
	223,171
Due in less than one year	20,144
Due in more than one year	203,027
	223,171

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

Bond	30 September 2014 $000
Bond	230,144
Less: unamortised deferred financing costs	(6,973)
	223,171
Due in less than one year	20,144
Due in more than one year	203,027
	223,171

	Currency	Nominal interest rate	Year of maturity	Face value 30 September 2014 $000	Carrying value 30 September 2014 $000
Bond	USD	7.5%	2019	230,144	223,171

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. 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 2014 the carrying value of the Bond included unamortised financing costs of $6,973,000.

15. Capital and reserves

Share capital

	Ordinary shares 30 September 2014
Allotted, called up and fully paid	**$000**
100 Ordinary shares of $1 each	-

All company's shares are classified as shareholders' funds.

During the period the Company issued 100 ordinary shares for consideration $1.

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 30 September 2014 a capital contribution was made of $97,748,000 from the Company's immediate parent company.

16. 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 30 September 2014 $000	Carrying amount 30 September 2014 $000
IAS 39 categories of financial instruments		
Loans and receivables		
Trade and other receivables excluding prepayments	16,250	16,250
Total loans and receivables	16,250	16,250
Financial liabilities measured at amortised cost		
Trade and other payables	(8,650)	(8,650)
Other interest-bearing loans and borrowings (note 14)	(230,144)	(223,171)
Total financial liabilities measured at amortised cost	(238,794)	(231,821)
Total financial instruments	(222,544)	(215,571)

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

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.

16. Financial instruments (continued)

Credit risk

Bank balance and deposits

The Company 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 2014 $000
Cash and cash equivalents	25

Liquidity risk

Financial risk management

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

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

17. 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 Company by virtue of being the investment manager of the fund.

18. Related party transaction

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 $8,125,000, which represented charter hire charged to the related party.

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 $8,125,000, which represented charter hire charged to the related party.

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 $8,650,000.

19. Capital commitments

The Company has no capital commitments as at 30 September 2014.

20. 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

Condensed Unaudited Interim Aggregated Financial Statements

Period from 28 March 2014 to 30 September 2014

Contents

HARKAND EMEA GROUP

CONDENSED UNAUDITED INTERIM AGGREGATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Note	30 September 2014 $000
Non-current assets		
Property, plant and equipment	9	356,011
Goodwill and intangible assets	10	46,937
Trade and other receivables		11,200
		414,148
Current assets		
Inventories		1,904
Trade and other receivables		146,911
Cash and cash equivalents		12,681
Other assets		2,031
Deferred expenditure		6,887
		170,414
Total assets		**584,562**
Current liabilities		
Trade and other payables		88,153
Interest-bearing loans and borrowings	11	20,144
Income Tax payable		8,396
Other financial liabilities	12	7,122
Deferred income		3,744
		127,559
Non-current liabilities		
Interest-bearing loans and borrowings	11	203,027
Other financial liabilities	12	22,333
Deferred tax liabilities		2,181
		227,541
Total liabilities		**355,100**
Net assets		**229,462**
Equity attributable to equity holders of the parent		
Share capital	14	4
Share premium		31,339
Capital contribution reserve		235,617
Revaluation reserve		33,730
Retranslation reserve		(2,591)
Retained earnings		(68,637)
		229,462
Non-controlling interest		-
Total equity		**229,462**

HARKAND EMEA GROUP

CONDENSED UNAUDITED INTERIM AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2014

	Notes	For the three months ended 30 September 2014 $000	For the period ended 30 September 2014 $000
Revenue		108,434	186,170
Cost of sales		(83,710)	(131,123)
Gross profit		24,724	55,047
Administrative expenses		(8,653)	(14,666)
Operating profit [1]	7	16,071	40,381
Finance expense	6	(5,035)	(11,398)
Net financing cost		**(5,035)**	**(11,398)**
Profit before tax		**11,036**	**28,983**
Taxation	8	(1,950)	(4,900)
Profit for the period from continuing operations		**9,086**	**24,083**
Attributable to:			
Equity holders of the parent		9,086	19,927
Non-controlling interest		-	4,156

HARKAND EMEA GROUP

CONDENSED UNAUDITED INTERIM AGGREGATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2014

	For the three months ended 30 September 2014 $000	For the period ended 30 September 2014 $000
Other comprehensive income		
Other comprehensive income to be recycled to profit or loss in subsequent periods		
Foreign currency translation differences	(6,704)	(2,178)
Other comprehensive income for the period, net of income tax	**(6,704)**	**(2,178)**
Attributable to:		
Equity holders of the parent	(6,704)	(3,400)
Non-controlling interest	-	1,222
Total comprehensive income for the period from continuing operations	**2,382**	**21,905**
Attributable to:		
Equity holders of the parent	2,382	16,527
Non-controlling interest	-	5,378

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

	$000	*$000*
Operating profit	16,071	40,381
Add back Depreciation	6,406	11,200
Add back Amortisation	511	871
Add back Exceptional costs (closure of Sharjah branch)	600	1,836
Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation and Exceptional costs (Adjusted EBITDA)	**23,588**	**54,288**

HARKAND EMEA GROUP

CONDENSED UNAUDITED INTERIM AGGREGATED STATEMENT OF CHANGES IN EQUITY

At 30 September 2014

	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Retranslation reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000
As at 1 January 2014	-	-	-	-	-	-	**-**	-	**-**
Acquired on restructuring	4	31,339	235,617	33,730	(413)	(89,833)	**210,444**	8,030	**218,474**
Total comprehensive income for the period	-	-	-	-	(3,400)	19,927	**16,527**	5,378	**21,905**
Purchase consideration of non-controlling interest	-	-	-	-	1,222	1,269	**2,491**	(13,408)	**(10,917)**
As at 30 September 2014	4	31,339	235,617	33,730	(2,591)	(68,637)	**229,462**	-	**229,462**

HARKAND EMEA GROUP

CONDENSED UNAUDITED INTERIM AGGREGATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2014

	For the three months ended 30 September 2014 $000	For the period ended 30 September 2014 $000
Cash flows from operating activities		
Profit before tax	11,036	28,983
Adjustments to reconcile profit from operations to net cash flows:		
Depreciation of property, plant and equipment	6,406	11,200
Amortisation of intangible assets	511	871
Exceptional expense	600	1,836
Foreign exchange loss	(3,183)	(3,183)
Finance expense	5,035	11,398
Decrease/(increase) in inventory	954	(27)
Increase in trade and other receivables	(4,277)	(53,210)
(Decrease)/increase in trade and other payables	(2,770)	10,040
Increase in intercompany balances	(3,173)	(6,748)
Taxes paid	(9)	(102)
Net cash generated from operating activities	**11,130**	**1,058**
Cash flows from investing activities		
Cash payments to acquire property, plant and equipment	(915)	(1,307)
Net cash used in investing activities	**(915)**	**(1,307)**
Cash flows from financing activities		
Interest paid	(9,322)	(12,110)
Refund of guarantee	-	6,925
Proceeds from bond	-	230,000
Financing costs	-	(7,748)
Repayment of previous debt facilities	-	(135,889)
Repayment of related party loan	-	(76,363)
Finance lease payments	(1,705)	(3,393)
Net cash used in financing activities	**(11,027)**	**1,422**
Net increase in cash and cash equivalents	**(812)**	**1,173**
Effect of foreign exchange	(547)	(427)
Cash and cash equivalents at start of period	14,040	11,935
Cash and cash equivalents at 30 September 2014	**12,681**	**12,681**

Notes to the Condensed Unaudited 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 condensed unaudited interim aggregated financial statements reflect the performance of Harkand EMEA Group for the period 28 March 2014 to 30 September 2014.

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 results of these operational businesses from 16 April 2014 to 30 September 2014 are reflected in the condensed unaudited interim aggregated statement of comprehensive income.

2. Statement of compliance

These condensed unaudited 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 aggregated 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.

4. 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.

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

5. Entities aggregated 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%

[1] During the period ended 30 September 2014 a related company acquired the remaining non-controlling interest in ISS Acquisitions Limited of 37.5% for a total consideration of $10,917,000. This investment was transferred to Harkand EMEA Limited, the immediate parent company of ISS Acquisitions Limited.

HARKAND EMEA GROUP

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

6. Finance expense

	Three months ended 30 September 2014 $000	For the period ended 30 September 2014 $000
Total interest expense on financial liabilities measured at amortised cost	4,313	8,769
Other fees and charges	544	1,370
Net foreign exchange differences	(192)	440
Finance charges payable under finance lease and hire purchase contracts	370	819
	5,035	**11,398**

7. Other expenses included in the statement of comprehensive income

	Three months ended 30 September 2014 $000	For the period ended 30 September 2014 $000
Depreciation	6,406	11,200
Amortisation of intangible assets	511	871
Lease payments recognised as an operating lease expense	16,439	23,831

8. Taxation

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

	For the three months ended 30 September 2014 *$000*	For the period ended 30 September 2014 *$000*
UK and foreign corporation tax:		
Current income tax charge	1,950	4,900
Income tax reported in the statement of comprehensive income	1,950	4,900

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

9. Property, plant and equipment

	Vessels $000	Leasehold improvements $000	Operating equipment $000	Furniture and office equipment $000	Total $000
Cost					
Balance at incorporation	-	-	-	-	-
Acquisitions through restructuring	310,000	566	98,960	448	409,974
Additions	-	10	1,297	-	1,307
Exchange differences	-	9	1,443	-	1,452
Balance at 30 September 2014	310,000	585	101,700	448	412,733
Depreciation					
Balance at incorporation	-	-	-	-	-
Accumulated depreciation through restructuring	-	346	44,390	267	45,003
Depreciation charge for the period	5,650	37	5,468	45	11,200
Exchange differences	-	4	515	-	519
Balance at 30 September 2014	5,650	387	50,373	312	56,722
Net book value					
At incorporation	-	-	-	-	-
At 30 September 2014	304,350	198	51,327	136	356,011

Leased plant and machinery

At 30 September the carrying amount of property, plant and equipment leased was $47.6 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 $304.4 million are mortgaged as security against borrowings.

HARKAND EMEA GROUP

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

10. Goodwill and Intangible assets

	Goodwill	Customer relationships	Total
	$000	$000	$000
Cost			
Balance at incorporation	-	-	-
Acquisitions through restructuring	27,043	16,725	43,768
Acquisition of non-controlling interest	6,549	-	6,549
Exchange differences	188	250	438
Balance at 30 September 2014	33,780	16,975	50,755
Amortisation and impairment			
Balance at incorporation	-	-	-
Accumulated amortisation through restructuring	-	2,926	2,926
Amortisation for the period	-	871	871
Exchange differences	-	21	21
Balance at 30 September 2014	-	3,818	3,818
Net book value			
At incorporation	-	-	-
At 30 September 2014	33,780	13,157	46,937

Amortisation and impairment charge

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

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

11. Interest-bearing loans and borrowings

	30 September 2014 $000
Bond	223,171
	223,171
Due in less than one year	20,144
Due in more than one year	203,027
	223,171

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 2014 $000
Bond	230,144
Less: unamortised deferred financing costs	(6,973)
	223,171
Due in less than one year	20,144
Due in more than one year	203,027
	223,171

	Currency	Nominal interest rate	Year of maturity	Face value 30 September 2014 $000	Carrying value 30 September 2014 $000
Bond	USD	7.5%	2019	230,144	223,171

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 September 2014 the carrying value of the Bond included unamortised financing costs of $6,973,000.

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

12. Other financial liabilities

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 30 September 2014	Future interest 30 September 2014	Carrying amount 30 September 2014
	$000	*$000*	*$000*
Less than one year	8,212	(1,090)	7,122
Between one and five years	20,626	(1,997)	18,629
More than five years	3,896	(192)	3,704
	32,734	(3,279)	29,455

Due in less than one year	7,122
Due in more than one year	22,333
	29,455

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

13. 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 2014 $000	Carrying amount at 30 September 2014 $000
IAS 39 categories of financial instruments		
Loans and receivables		
Cash and cash equivalents	12,681	12,681
Trade and other receivables excluding prepayments	145,055	145,055
Total loans and receivables	157,736	157,736
Financial liabilities measured at amortised cost		
Other interest-bearing loans and borrowings (note 11)	(230,144)	(223,171)
Other financial liabilities (note 12)	(32,734)	(29,455)
Trade and other payables	(88,153)	(88,153)
Total financial liabilities measured at amortised cost	(351,031)	(340,779)
Total financial instruments	(193,295)	(183,043)

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

HARKAND EMEA GROUP

Notes to the Condensed Unaudited Interim Aggregated Financial Statements

14. 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 thousand.

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

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. A restructuring followed whereby the European and African operational businesses of Harkand Luxembourg Holdings SARL were transferred to Harkand EMEA Group on 16 April 2014.

No dividends were recognised in the period following the restructuring.

Translation reserve

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

15. Operating leases

Non-cancellable minimum lease rentals are payable as follows:

	30 September 2014 $000
Less than one year	14,386
Between one and five years	4,620
More than five years	1,242
	20,248

The Group leases various office, warehouse properties and Vessels under non-cancellable operating lease arrangements. The lease terms are between 2 months 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.

16. Commitments

Contingent liabilities

Certain members of senior management participate 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.

17. 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.

18. Subsequent events

In the period between the reporting date and the completion of the accounts, there were no events that require disclosure.

Harkand EMEA Group
Management Discussion and Analysis
Three months ended 30 September 2014

General information

Principal activities

The principal activity of the Harkand EMEA Group ("Group") 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

The Group carries out operations in the North Sea and West Africa, and represents the majority of its revenues and assets. The Group 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 the Group has also established a strong presence in West Africa, and recently transitioned management of the Africa region to its Houston office, which has considerable experience of running operations in Africa.

The Group 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.

The Group 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 21 ROVs itself, while the remaining 11 ROVs are chartered to other companies within the Harkand Group. Seven ROVs are chartered to Harkand GOM (in the US) and four are chartered to Harkand APAC.

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 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

During the three months ended 30 September 2014 the highlights were:

- Utilisation rates for vessels favourable overall against prior year but falling slightly in September
- Sell rates have been strong in the North Sea
- Survey business continues to perform well and is ahead of expectations
- First steps in West Africa growth strategy made

Utilisation rates for vessels favourable overall against prior year but falling slightly in September

Utilisation of vessels has been good over the three months ended 30 September 2014. The Atlantis was fully utilised in July and August and delivered strong margin. The Da Vinci performed well on 3 projects and has delivered stable margins. Both DSVs suffered lower utilisation rates than expected in September as external market conditions began to take effect.

In addition there are 2 ROVSVs operating in Europe. The Go Electra has been used in ROVSV and Air Diving Mode with almost full utilisation. The Surf Ranger's performance was strong in July however it required some technical work in August before mobilising to its next project. The Surf Ranger was utilised less than expected in September owing to the downward trend in the market.

Sell rates have been strong in the North Sea

The average sell rates across the 4 vessels has been good. The Atlantis and Da Vinci have been achieving sell rates favourable to expectations benefiting from the strong North Sea rates during the period. The Da Vinci in particular has managed sell rates well ahead of prior year.

The Go Electra and Surf Ranger average sell rates have been better than the prior year overall.

Survey business continues to perform well and is ahead of expectations

The survey business continues to perform well, which has been reflected in favourable gross margins compared to prior year. It has been ahead of expectations for the quarter.

First steps in West Africa growth strategy made

A permanent presence has been established in the quarter. The Harkand commercial team have been working with Harkand's local partners leading to positive meetings with potential clients. Progress is being made and bids have been submitted.

Management see good demand for Harkand's service in the West Africa market and consider this to be a part of the Harkand EMEA's overall growth strategy.