

Company Registration No. 07188049

BIBBY OFFSHORE HOLDINGS LIMITED

**Report and Condensed Financial Statements
for the period ended 30 September 2015**

BIBBY OFFSHORE HOLDINGS LIMITED

Report and Condensed Financial Statements

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BIBBY OFFSHORE HOLDINGS LIMITED

Management report

The directors present their report on the affairs of the Group, together with the condensed financial statement, for the period ended 30 September 2015.

Principal Activities

Bibby Offshore Holdings Limited (“Bibby Offshore” or “the Group”) is a wholly-owned subsidiary of Bibby Line Group Limited and is the holding company for Bibby Line Group’s offshore and subsea activities. The group’s principal activities are the project management and execution of offshore inspection, repair, maintenance and installation services in offshore markets across the world.

Business Review

Despite difficult market conditions resulting in a shorter term bidding cycle and lower visibility of work, Bibby Offshore continues to deliver for our clients and maintain a very strong operational track record. The Group has taken some tough decisions in recent months to ensure the cost base is appropriate for the current market and will maintain this cost and efficiency drive going forward. The Group’s focus is on preserving and maintaining a strong balance sheet whilst working on opportunities to improve and de-risk the business model.

Overall, the UKCS remained the focus during Q3 and accounted for over 90% of activity. Projects undertaken in the region were in line with expectations and continued to benefit from backlog and new contract wins. The UK performed well from an operational perspective, and Bibby Offshore delivered projects for a number of clients in the UKCS including Maersk, Talisman Sinopec Energy, Premier Oil, Total, ConocoPhillips and Shell.

In the US Gulf of Mexico the Group has cancelled its Charter Party with Bordelon Marine for the new build Ultra Light Intervention Vessel the MV Brandon Bordelon due to the delayed delivery of the vessel, which had originally been expected in July 2015. This decision was taken given the ongoing uncertainty as to the vessel’s eventual delivery date and the effect of its continuing non-availability on our business. We remain committed to the region and will continue to develop our strategic alliance with Aqueos Corporation.

Outside of our core markets of the UKCS and North America we are refining our approach. Given the low market activity levels in Norway and Asia Pacific we have reduced our presence in these areas to a business development interface only, with some ROV sales in Asia Pacific. These regions remain fully supported from Aberdeen and Houston.

Utilisation for the UKCS DSV fleet remained strong at 89% and this resulted in utilisation rates across all vessels averaging 77% during Q3 2015. This is lower than the utilisation achieved in Q3 2014, an exceptional quarter, due to the Bibby Topaz break down and therefore being unavailable for 55 days, as well as the Shelia Bordelon and the Olympic Bibby not developing a continuous campaign of activities.

We continued to bid for work and saw contract wins for 2015 with Apache Corporation and GDF Cygnus. We have been awarded decommissioning work with CNR Murchison for 2016 and a construction project for BP ETAP for 2016 utilising both a CSV and DSV. Tendering has remained at normal levels, with a good number of opportunities in the market. However, the nature of these opportunities has changed, and we are getting less visibility on tenders with more activity in the short term spot market due to the current oil price environment, which has also led to some downward pressure on pricing.

The Group’s focus remains on managing its cost base and adopting a prudent approach in response to the current market conditions. We have continued to carefully manage our short term capacity and our asset base following the redelivery of vessels earlier in the year. We are engaging with our key supply chain relationships, including vessel owners, to ensure that we minimise our internal supply cost and maximise value to our customers in the delivery of third party procurement. We have re-examined our fleet running costs, including marine personnel, to ensure we are delivering a well maintained but cost effective fleet.

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Management report (continued)

A significant element of our cost base is project personnel costs which are recovered from projects, with unallocated project personnel being charged to overheads. We have reduced the size of our project delivery teams both onshore and offshore to reflect the ongoing business activity levels, thus protecting our overhead. In addition to the 15% reduction in onshore contractors and employees, and a 20% reduction in contractor costs in the first half of the year, we have continued with headcount reduction in our support functions both in the UK and in our international offices. Overall headcount, excluding offshore contractors who are retained on a no commitment basis, is now approximately 750 compared with approximately 900 12 months ago.

Change in accounting standards

In accordance with UK GAAP and with effect from 1 January 2015 the financial statements are reported under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. There has been no restatement of prior year financial statements resulting from the adoption of FRS 102 in the current year and no changes to accounting policies to comply with that standard.

Principal Risks & Uncertainties

Bibby Offshore has an overall governance framework that includes clear and delegated authorities on business performance monitoring and appropriate insurance level for a wide range of potential risks. The framework for risk management governance is defined by the group leadership team, regional executive committees and the global support functions including Finance, QHSE, IT and HR. These committees and functions apply risk management processes and controls and also develop global policies and standards to which the regional entities align their processes.

Risk is monitored and reported through monthly leadership team and regional senior management team meetings. Monthly Finance and QHSE reports are provided to the group and executive committee boards. The Corporate Risk Register (CRR) is used to capture risk, controls, monitor risk realisation and risk assurance and verification activities. The CRR is reviewed and revised on a quarterly basis or as necessary and provided to the quarterly group board.

Further detail on the key risks within our business, how these risks are linked to our business strategy, how we have rated the risks and the Key Performance Indicators we use to monitor the risks are contained on pages 7 to 8 of the 2014 Bibby Offshore Holdings Limited annual report and financial statements.

Going concern

The Group expects to continue to be profitable and cash generative for the foreseeable future and to meet its day to day working capital requirements through its existing resources and the generation of operating cash surpluses.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the resources available.

After making enquiries, as per above, the Group has formed a judgment that at the time of approving the condensed financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in preparing the condensed financial statements.

Stuart R Jackson

Director

5 November 2015

BIBBY OFFSHORE HOLDINGS LIMITED

Directors' responsibilities statement

The directors confirm that the report and condensed financial statements have been prepared in accordance with pronouncements on interim reporting as issued by the Accounting Standards Board and that the report includes:

- an indication of important events that have occurred during the period and their impact on the condensed financial statements; and
- a description of the principal risks and uncertainties for the remaining financial year.

The directors of Bibby Offshore Holdings Limited are listed in the Group's 2014 annual report and financial statements.

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Condensed group profit and loss account For the nine month period ended 30 September 2015

	Note	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Turnover	2	196,188	281,484	383,597
Cost of sales		(157,706)	(214,565)	(291,124)
Gross profit		38,482	66,919	92,473
Administrative expenses		(16,550)	(19,882)	(30,424)
Operating profit		21,932	47,037	62,049
Profit on sale of tangible fixed assets		-	3,107	3,052
Finance costs (net)	3	(10,920)	(9,112)	(12,819)
Profit on ordinary activities before taxation		11,012	41,032	52,282
Tax on profit on ordinary activities	4	(4,869)	(8,464)	(12,062)
Profit for the financial period		6,143	32,568	40,220

All turnover is derived from continuing operations.

There are no recognised gains and losses other than those included in the condensed group profit and loss account for the current or prior periods. Accordingly no Statement of Comprehensive Income is presented.

BIBBY OFFSHORE HOLDINGS LIMITED

Condensed group balance sheet At 30 September 2015

	Note	Unaudited 30 September 2015 £'000	Unaudited 30 September 2014 £'000	Audited 31 December 2014 £'000
Fixed assets				
Tangible assets		125,620	132,644	129,496
Current assets				
Stocks		1,410	2,842	2,150
Debtors: due within one year		46,825	95,500	58,061
Cash at bank and in hand		93,177	94,723	116,368
		<u>141,412</u>	<u>193,065</u>	<u>176,579</u>
Creditors: amounts falling due within one year		<u>(48,059)</u>	<u>(99,579)</u>	<u>(72,547)</u>
Net current assets		<u>93,353</u>	<u>93,486</u>	<u>104,032</u>
Total assets less current liabilities		<u>218,973</u>	<u>226,130</u>	<u>233,528</u>
Creditors: amounts falling due after more than one year		(179,655)	(179,768)	(179,667)
Provisions for liabilities		(7,922)	(8,653)	(8,503)
Net assets		<u>31,396</u>	<u>37,709</u>	<u>45,358</u>
Capital and reserves				
Called-up share capital	6	17,000	17,000	17,000
Profit and loss account		14,396	20,709	28,358
Total capital employed		<u>31,396</u>	<u>37,709</u>	<u>45,358</u>

The condensed financial statements of Bibby Offshore Holdings Limited, registered number 07188049 were approved by the board of directors and authorised for issue on 5 November 2015.

Signed on behalf of the Board of Directors

S R Jackson

Director

BIBBY OFFSHORE HOLDINGS LIMITED

Condensed group statement of changes in equity At 30 September 2015

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2013 as previously stated	17,000	37,762	54,762
Changes on transition to FRS 102	-	-	-
At 1 January 2014 as restated	17,000	37,762	54,762
Profit for the year	-	40,220	40,220
Dividends paid on equity shares	-	(49,624)	(49,624)
At 31 December 2014	17,000	28,358	45,358
Profit for the nine month period	-	6,143	6,143
Dividends paid on equity shares	-	(20,110)	(20,110)
Foreign exchange gain arising on consolidation	-	5	5
At 30 September 2015	17,000	14,396	31,396

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Condensed group cash flow statement For the nine month period ended 30 September 2015

		Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
	Note			
Net cash flows from operating activities	7	9,963	41,020	70,798
Cash flows from investing activities				
Proceeds from sale of tangible fixed assets		-	3,107	3,294
Purchase of tangible fixed assets		(6,962)	(15,728)	(16,492)
Interest received		321	46	108
Net cash flows from investing activities		<u>(6,641)</u>	<u>(12,575)</u>	<u>(13,090)</u>
Cash flows from financing activities				
Dividends paid		(20,110)	(49,624)	(49,624)
Repayments of borrowings		-	(97,794)	(97,794)
Repayments of hire purchase agreements		(2,934)	(2,476)	(3,386)
Loan issue costs paid		-	(7,125)	(7,154)
Non-recurring financing activities		-	(635)	(635)
New obligations under hire purchase agreements		3,801	4,553	4,518
New bank loans and high yield bond issue		-	205,000	205,000
Interest paid		(7,270)	(3,782)	(10,426)
Net cash flows from financing activities		<u>(26,513)</u>	<u>48,117</u>	<u>40,499</u>
Net increase/(decrease) in cash and cash equivalents		<u>(23,191)</u>	<u>76,562</u>	<u>98,207</u>
Cash and cash equivalents at beginning of year		<u>116,368</u>	<u>18,161</u>	<u>18,161</u>
Cash and cash equivalents at end of year		<u><u>93,177</u></u>	<u><u>94,723</u></u>	<u><u>116,368</u></u>
Reconciliation to cash at bank and in hand:				
Cash at bank and in hand		<u><u>93,177</u></u>	<u><u>94,723</u></u>	<u><u>116,368</u></u>

BIBBY OFFSHORE HOLDINGS LIMITED

Notes to the condensed financial statements For the nine month period ended 30 September 2015

1. Accounting policies

Bibby Offshore Holdings Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 14. The nature of the group's operations and its principal activities are set out in the management report on pages 1 to 2.

The financial information contained in these interim condensed financial statements does not constitute the Group's statutory accounts within the meaning of section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended December 2014 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed financial statements, which have not been audited, have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

This is the first year that the Company has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015. As a consequence of adopting FRS 102, there have been no changes to accounting policies to comply with that standard and therefore no changes in equity.

2. Turnover

An analysis of the Group's turnover by geographical market is set out below:

	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Turnover:			
Northern Europe	188,284	253,946	373,200
Rest of world	7,904	27,538	10,397
	<u>196,188</u>	<u>281,484</u>	<u>383,597</u>

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Notes to the condensed financial statements For the nine month period ended 30 September 2015

3. Finance costs (net)

	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Interest payable and similar charges	11,260	6,486	10,254
Other finance costs	-	2,673	2,673
Interest receivable	(340)	(47)	(108)
	10,920	9,112	12,819
	10,920	9,112	12,819

Interest payable and similar charges

	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Recurring			
Bank loans and overdrafts	9,844	5,381	8,775
Finance leases and hire purchase contracts	727	734	991
Amortisation of loan issue costs	689	371	488
	11,260	6,486	10,254
Interest receivable	(340)	(47)	(108)
	10,920	6,439	10,146
Non-recurring			
Early repayment fees	-	635	635
Borrowing costs amortised/(capitalised)	-	2,038	2,038
	10,920	9,112	12,819
	10,920	9,112	12,819

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4. Tax on profit on ordinary activities

The tax charge comprises:

	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Current tax on profit on ordinary activities			
UK Corporation tax	5,372	8,817	12,923
Foreign tax	116	7	(34)
UK Corporation tax in respect of prior periods	-	242	(105)
Total current tax	<u>5,488</u>	<u>9,066</u>	<u>12,784</u>
Origination and reversal of timing differences	(619)	(110)	(230)
Effect of change in tax rate on opening liability	-	(492)	(492)
Total deferred tax	<u>(619)</u>	<u>(602)</u>	<u>(722)</u>
Total tax on profit on ordinary activities	<u><u>4,869</u></u>	<u><u>8,464</u></u>	<u><u>12,062</u></u>
Group profit on ordinary activities before taxation			
Tax on Group profit on ordinary activities at standard UK corporation tax rate 20.25% (2014: 21.5%)	2,230	8,822	11,241
Effects of:			
Disallowable expenses	128	118	140
Tonnage tax	-	(887)	(884)
Foreign tax including losses not utilised	2,383	563	1,512
Effect of change in tax rate on opening timing differences	-	(492)	(492)
Other	128	340	545
Total tax charge for period	<u><u>4,869</u></u>	<u><u>8,464</u></u>	<u><u>12,062</u></u>

The standard rate of tax applied to reported profit on ordinary activities is 20.25 per cent (2014: 21.5 per cent).

There is no expiry date on timing differences, unused tax losses or tax credits.

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5. Dividends on equity shares

	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Amounts recognised as distributions to equity holders in the period	20,110	49,624	49,624

On 2 January 2015 the Group declared and paid an interim dividend of £9,350,000. A final dividend of £10,760,021 was declared and paid on 17th April 2015. The total dividends equate to 50% of the post tax profit of the Bibby Offshore Holdings Limited Group in accordance with the distribution policy of the ultimate parent company, Bibby Line Group Limited.

6. Called-up share capital and reserves

	Unaudited 30 September 2015 £'000	Unaudited 30 September 2014 £'000	Audited 31 December 2014 £'000
Allotted, called-up and fully-paid 17,000,000 ordinary shares of £1 each	17,000	17,000	17,000

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Notes to the condensed financial statements For the nine month period ended 30 September 2015

7. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	Unaudited 9 months to 30 September 2015 £'000	Unaudited 9 months to 30 September 2014 £'000	Audited year ended 31 December 2014 £'000
Operating profit	21,932	47,037	62,049
Adjustment for:			
Corporation tax paid	(9,563)	(8,066)	(10,591)
Depreciation and amortisation	10,838	9,550	13,246
Operating cash flow before movement in working capital	23,207	48,521	64,704
Increase in stocks	740	(1,132)	(440)
Decrease in debtors	12,643	(59,363)	(21,924)
Increase in creditors	(26,633)	52,994	28,458
Other – Foreign exchange	6	-	-
Cash generated by operations	9,963	41,020	70,798

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Notes to the condensed financial statements For the nine month period ended 30 September 2015

8. Financial commitments

Capital commitments are as follows:

	Unaudited 30 September 2015 £'000	Unaudited 30 September 2014 £'000	Audited 31 December 2014 £'000
Contracted for but not provided for	-	-	-

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30 September 2015		Unaudited 30 September 2014	
	Property £'000	Other £'000	Property £'000	Other £'000
Group				
- within one year	1,733	34,694	1,609	40,644
- between one and five years	6,983	34,989	5,975	35,828
- after five years	13,587	-	15,268	29,108
	<u>22,303</u>	<u>69,683</u>	<u>22,852</u>	<u>105,580</u>

Annual commitments under non cancellable operating leases as at the end of the accounting period are as follows:

	Unaudited 30 September 2015		Unaudited 30 September 2014		Audited 31 December 2014	
	Property £'000	Other £'000	Property £'000	Other £'000	Property £'000	Other £'000
The group has the following annual commitments under operating leases which expire:						
Less than 1 year	-	5	-	4,827	-	835
Within two to five years	381	34,689	361	35,817	285	33,764
After more than five years	1,670	-	1,566	-	1,711	-
	<u>2,051</u>	<u>34,694</u>	<u>1,927</u>	<u>40,644</u>	<u>1,996</u>	<u>34,599</u>

9. Financing

On 19 June 2014 Bibby Offshore Services Plc issued £175,000,000 of Bonds on the Luxembourg Stock Exchange's Euro MTF market. Interest is payable at 7.50% per annum, payable bi-annually on 15 June and 15 December. The Group also entered into a revolving credit facility of £20m of which £16.3m is available for use at the balance sheet date with an amount of £3.7m being drawn in relation to performance bonds (see note 10).

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Notes to the condensed financial statements For the nine month period ended 30 September 2015

10. Contingent liabilities

As at 30 September 2015, performance guarantees outstanding to customers and suppliers in the normal course of trade amounted to £3,676k (December 2014: £3,305k and September 2014: £2,050k).

As noted in the prior year financial statements the group received notification from the Trinidad and Tobago tax authorities as to past indirect liabilities in the amount of £3m plus interest and penalties of a further £3m. Through the course of 2011 the group negotiated and paid what it believed to be the full and final settlement of all past liabilities in this regard. The notification also indicates associated interest and penalties, which substantially relate to a period when the group was in discussion with the authorities on this matter and during which it was accepted that no interest and penalties would be levied. The status of this matter has not progressed significantly and the directors continue to believe there is no remaining liability. Accordingly no provision is made in the financial statements as at 30 September 2015

In conjunction with this matter, in 2012 the Trinidad and Tobago tax authorities reopened the corporate tax assessments relating to 2008 and 2009. The group received a notice of assessment for £4.5m plus penalties and interest of £3.9m. The group is contesting this assessment and does not consider there is risk of any significant additional liability and need for provision as at 30 September 2015.

11. Related party transactions

Under Financial Reporting Standard 102, the company is exempt from disclosing related party transactions with fellow group undertakings, as 100% of the voting rights are controlled by the ultimate parent undertaking, Bibby Line Group Limited.

The total remuneration for key management personnel is disclosed in the audited financial statements.

12. Controlling party

The company is a wholly owned subsidiary undertaking of Bibby Line Group Limited, the ultimate parent company, a company registered in England. Bibby Line Group Limited is the parent undertaking of the largest and smallest group which consolidates these financial statements and of which the company is a member.

Two of Bibby Line Group Limited's Directors, M.J. Bibby, J.M. Smith and their immediate families, control 88% of the equity share capital of the Bibby Line Group Limited, either directly or through family trusts.

Copies of the group financial statements may be obtained from Bibby Line Limited, 105 Duke Street, Liverpool L1 5JQ (www.bibbylinegroup.co.uk).