Company Registration No. 07188049

BIBBY OFFSHORE HOLDINGS LIMITED

Report and Unaudited Interim Condensed Consolidated Financial Statements for the period ended 30 September 2016

BIBBY OFFSHORE HOLDINGS LIMITED

Report and unaudited interim condensed consolidated financial statements

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Management report

The directors present their report and the interim condensed consolidated financial statements for the period ended 30 September 2016.

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 construction services to the offshore industry.

Business review

The Group achieved an excellent level of utilisation in the third quarter, due to the hard work of our dedicated team making the most of the seasonal opportunity, in both our UK and North American businesses. Importantly, our strategy to expand our presence in the flex lay and air diving markets showed real progress in the period with contracts undertaken for several clients in these areas. Pressure remains on margins driven by the lower volume of work across the market and the highly competitive landscape.

The continued short term nature of the tendering market makes it very difficult to forecast beyond Q4, and we do expect the challenging market conditions to persist into 2017. Our focus in early 2017 will be securing utilisation, generating cash and actively managing our fleet through the winter period while continuing to differentiate our offering by delivering excellent project execution for our clients.

The Group achieved a vessel utilisation rate in Q3 of 98% overall and DSV fleet utilisation of 99%. Due to the high level of utilisation of the Group's core fleet and additional demand in the market, Bibby Offshore also took a short term charter of the Normand Cutter in the period, taking advantage of the opportunity to generate further revenue.

Bibby Offshore delivered a number of projects in the UKCS for clients including BP, continuing work on the ETAP project, as well as undertaking work for EnQuest, Centrica, Premier Oil, Shell, Total, Engie and Dong. The Group has also won work for Maersk, EnQuest, Marathon Oil and ConocoPhillips for execution in Q4 2016. The Group's expansion into the air diving market was driven by work with ConocoPhillips (using the Normand Cutter), Talisman and DONG. The investment in the flex lay carousel for the Bibby Polaris is now showing tangible results, and the Group won work with Engie and Shell for completion in Q4 2016 and Q1 2017 respectively. Through these expanded service lines Bibby Offshore continues to broaden its offering to clients and position the fleet for increased utilisation.

Bibby Offshore continues to capitalise on opportunities in the North American market, having taken the decision to relocate the Bibby Sapphire last year. The Group is fast establishing a strong presence in the region, with 165 days' work now completed. In Q3, the Group undertook work in Trinidad for EMAS, McDermott and BP, with the Bibby Sapphire currently working on BP's annual IRM campaign in the country. Building on previous contract wins, the Group also booked work with ExxonMobil for execution in Q4.

In Asia the business continued to secure contracts and maintain utilisation, and despite the challenging market conditions the Group maintained its position in the ROV market in the region. Bibby Offshore was re-awarded a 13 month contract to supply a work-class ROV on board the Mermaid Nusantara which is currently enjoying good utilisation.

Client feedback remains a key measure of our performance and our FPAL score for the twelve months to 30 September 2016 was 8.1.

Safety remains of utmost importance to Bibby Offshore. Regrettably the Group experienced two Lost Time Injuries in the period. This has increased the Lost Time Incident Frequency Rate (LTIF) to 1.39 against the IMCA industry standard of 0.51. Root cause analysis has been completed for these incidents and a safety improvement action plan implemented across the business.

BIBBY OFFSHORE HOLDINGS LIMITED

Management report

Market Outlook

Although the Group achieved high utilisation in Q3, the market as a whole remains very challenging and highly competitive, moving into the winter season. The short term nature of the market and the resulting limited visibility make forecasting difficult.

In Q1 2017 the Group plans to undertake the usual annual maintenance to coincide with the seasonal low period in the offshore market, which is likely to include a period of dry docking of two vessels. While this will naturally reduce revenue and incur cost, it is the most effective way of managing the fleet during this traditionally quiet period.

Renewables remain an area of focus for the Group, and while this market has a longer tendering cycle than seen in the oil and gas sector, Bibby Offshore has the relationships and capability to take advantage of these opportunities and will provide further updates going forward.

The Group believes that the offshore market will continue to be challenging into 2017, as such the focus remains on managing the cost base and generating cash. The coming year does present opportunities to further reduce costs, with all options currently being considered including adjustments to charter arrangements. While we anticipate a challenging year ahead, we remain well positioned in the market, with our decision to diversify our routes to market and build a presence in the North American market showing a return.

Principal risks and uncertainties

Bibby Offshore's governance framework includes clear and delegated authorities on business performance monitoring and ensuring appropriate insurance 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 which the regional entities align to 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 at least quarterly and is tabled at the quarterly Group board meetings.

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 4 to 6 of the 2015 Bibby Offshore Holdings Limited annual report and financial statements.

Going concern

The Group expects market conditions to remain challenging for at least the next 12 months and expects to meet its day to day working capital requirements through its cash reserves. The Group has cash reserves of £55.8m at 30 September 2016.

The Group has developed forecasts and projections, including consideration of sensitised scenarios which consider as far as reasonably possible changes in trading performance, which show that the Group and company is projecting to operate within the available cash reserves.

After due and informed enquiry, as per above, the directors have formed the judgment that at the time of approving the interim condensed consolidated 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 continues to be adopted in preparing the financial statements.

Approved by the Board of Directors and signed on behalf of the Board

S Jackson

Director & Chief Financial Officer

3 November 2016

BIBBY OFFSHORE HOLDINGS LIMITED

Directors' responsibilities statement

The directors confirm that the report and interim condensed consolidated 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 interim condensed consolidated 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 2015 annual report and financial statements.

S Jackson

Director & Chief Financial Officer

3 November 2016

BIBBY OFFSHORE HOLDINGS LIMITED

Interim condensed consolidated statement of profit, loss and comprehensive income
Nine month period ended 30 September 2016

	Note	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited year ended 31 Dec 2015 £000
Turnover: continuing operations	3	110,610	196,188	240,711
Cost of sales		(125,034)	(157,706)	(197,616)
Gross profit		(14,424)	38,482	43,095
Administrative expenses		(12,408)	(16,671)	(23,561)
Other income		-	-	40
Operating (loss)/profit: continuing operations		(26,832)	21,811	19,574
(Loss)/profit on sale of tangible fixed assets		-	-	(108)
Finance costs (net)	4	(11,049)	(10,920)	(14,596)
(Loss)/Profit on ordinary activities before taxation		(37,881)	10,891	4,870
Tax on profit on ordinary activities	5	5,302	(4,869)	(4,979)
(Loss)/profit for the financial period		(32,579)	6,022	(109)
Currency translation difference on foreign operations		468	121	271
Total comprehensive income		(32,111)	6,143	162

BIBBY OFFSHORE HOLDINGS LIMITED

Interim condensed consolidated balance sheet
At 30 September 2016

	Note	Unaudited 30 Sept 2016 £000	Unaudited 30 Sept 2015 £000	Audited 31 Dec 2015 £000
Fixed assets				
Tangible assets	7	116,586	125,620	122,772
Current assets				
Stocks		2,072	1,410	1,458
Debtors		50,965	46,825	28,429
Cash and cash equivalents		55,795	93,177	97,161
		108,832	141,412	127,048
Creditors: amounts falling due within one year		(45,084)	(48,059)	(34,492)
Net current assets		63,748	93,353	92,556
Total assets less current liabilities		180,334	218,973	215,328
Creditors: amounts falling due after more than one year		(177,318)	(179,655)	(179,517)
Provisions for liabilities		(9,717)	(7,922)	(10,401)
Net assets		(6,701)	31,396	25,410
Capital and reserves				
Called up share capital	9	17,000	17,000	17,000
Profit and loss reserve		(23,701)	14,396	8,410
Shareholders' funds		(6,701)	31,396	25,410

The interim condensed consolidated financial statements of Bibby Offshore Holdings Limited, registered number 07188049 were approved by the Board of Directors and authorised for issue on 3 November 2016.

Signed on behalf of the Board of Directors

S Jackson

Director & Chief Financial Officer

BIBBY OFFSHORE HOLDINGS LIMITED

Interim condensed consolidated statement of changes in equity
At 30 September 2016

	Called-up share capital £000	Profit and loss reserve £000	Total £000
Audited 1 January 2015	17,000	28,358	45,358
Profit for the nine month period to 30 September 2015	-	6,022	6,022
Dividends paid	-	(20,110)	(20,110)
Currency translation difference on foreign operations	-	126	126
Unaudited 30 September 2015	17,000	14,396	31,396

	Called-up share capital £000	Profit and loss reserve £000	Total £000
Audited 1 January 2015	17,000	28,358	45,358
Loss for the year	-	(109)	(109)
Dividends paid	-	(20,110)	(20,110)
Currency translation difference on foreign operations	-	271	271
Audited 31 December 2015	17,000	8,410	25,410

	Called-up share capital £000	Profit and loss reserve £000	Total £000
Audited 1 January 2016	17,000	8,410	25,410
Loss for the nine months period to 30 September 2016	-	(32,579)	(32,579)
Dividends paid	-	-	-
Currency translation difference on foreign operations	-	468	468
Unaudited 30 September 2016	17,000	(23,701)	(6,701)

BIBBY OFFSHORE HOLDINGS LIMITED

Interim condensed consolidated cash flow statement
Nine month period ended 30 September 2016

	Note	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited year ended 31 Dec 2015 £000
Net cash (outflow)/inflow from operating activities	10	(26,719)	9,963	21,474
Cash flows from investing activities				
Proceeds from sale of tangible fixed assets		-	-	167
Purchase of tangible assets		(3,783)	(6,962)	(7,811)
Interest received		202	321	445
Net cash flows from investing activities		(3,581)	(6,641)	(7,199)
Cash flows from financing activities				
Dividends paid		-	(20,110)	(20,110)
Repayments of finance lease agreements		-	-	(3,992)
Repayments of hire purchase agreements		(3,785)	(2,934)	-
New obligations under hire purchase agreements		-	3,801	4,745
Interest paid		(7,281)	(7,270)	(14,125)
Net cash outflow from financing activities		(11,066)	(26,513)	(33,482)
Net decrease in cash and cash equivalents		(41,366)	(23,191)	(19,207)
Cash and cash equivalents at beginning of period		97,161	116,368	116,368
Cash and cash equivalents at end of period		55,795	93,177	97,161
Reconciliation to cash at bank and in hand:				
Cash at bank and in hand		15,795	8,177	27,161
Short term money market investments*		40,000	85,000	70,000
		55,795	93,177	97,161

* The Group has short term money market investments maturing in periods ranging from 1 to 3 months and attracting interest rates ranging from 0.41% to 0.80% per annum

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

1. Accounting policies

(a) General information and basis of accounting

Bibby Offshore Holdings Limited is a company incorporated in the United Kingdom. The address of the registered office is given on page 19. 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 consolidated 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 financial statements for the year ended December 2015 has been delivered to the Trustees. The auditors' report on those financial statements was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The Group has elected to voluntarily apply Financial Reporting Standard 104 (FRS 104) in the preparation of the interim condensed consolidated financial statements. The interim condensed consolidated financial statements, which have not been audited, have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 104 issued by the Financial Reporting Council.

There has been no change to the accounting policies and methods of computation applied in the interim condensed consolidated financial statements from those reported in the Group's statutory financial statements for the year ended December 2015.

(b) Going concern

The Group expects market conditions to remain challenging for at least the next 12 months and expects to meet its day to day working capital requirements through its cash reserves. The Group has cash reserves of £55.8m at 30 September 2016.

The Group has developed forecasts and projections, including consideration of sensitised scenarios which consider as far as reasonably possible changes in trading performance, which show that the Group and company is projecting to operate within the available cash reserves.

After due and informed enquiry, as per above, the directors have formed the judgment that at the time of approving the interim condensed consolidated 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 continues to be adopted in preparing the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1 of the Group's statutory financial statements for the year ended December 2015, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

Revenue and margin recognition on long term contracts

Revenue and attributable profit on long term contracts in progress is recognised based on the estimated stage of completion and only when the outcome of the contract can be estimated reliably. At 30 September 2016 there were two long term contracts in the course of completion which required the determination of the stage of completion and expected profitability of the contracts when assessing the level of revenue and margin to be recognised.

In making this judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue. The directors are satisfied that the assessment of the stage of completion of works and associated recognition of the revenue in the current year is appropriate.

(b) Key sources of estimation uncertainty

Provisions for tax liabilities

The interim condensed consolidated financial statements include estimates in relation to tax uncertainties. In particular, the specific matters discussed at note 14 are identified as well as general estimates and uncertainties. In estimating the tax provision required in respect of the Trinidad and Tobago matters, the directors have considered the likely outcome, having regard to ongoing correspondence with all parties including advice provided by local tax advisors.

Provisions for litigation

The interim condensed consolidated financial statements reflect estimates in respect of the claims and litigation as outlined in note 14. In estimating whether provisioning is required, the directors have considered all available evidence including ongoing correspondence and advice received from legal representatives.

Impairment of assets

In determining whether assets are impaired consideration has been given to evidence of value. The carrying value of vessels has been compared to valuations conducted by independent 3rd party specialists and no impairment is identified. The value in use of the ROV fleet has been assumed on the basis of the future cash flows expected to arise from continuing use with a suitable discount rate applied in order to calculate net present value. The pre tax discount rate is estimated at 12%. In making this assessment, regard has been given to current market conditions and the prospects of recovery during the useful economic lives of the ROV fleet. The carrying value of vessels and ROVs at the balance sheet date was £113.9m. No impairment is identified at 30 September 2016.

Onerous lease contracts

In assessing the future commitments under lease rentals the economic benefit derived from the remaining lease payments are assessed and compared to the lease obligations. This assessment, including consideration of vessel charter commitments, identifies an onerous lease contract amounting to £240k. This has been included in provisions at the balance sheet date.

Depreciation rates

In applying the accounting policy outlined at 1(d) in the Groups statutory financial statements for the year ended 31 December 2015; the Group estimates the useful lives and residual value of the vessel and ROV fleet with a carrying value of £112.6m. The current useful lives are estimated at 25 years for the vessel fleet and 5-10 years for the ROV fleet, together with a £nil residual value.

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

3. Turnover

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

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Turnover			
Northern Europe	89,999	188,284	231,970
Rest of the world	20,611	7,904	8,741
	110,610	196,188	240,711

An analysis of the Group's turnover by activity is as follows:	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Project revenue	110,610	196,188	240,711

The Group operates in a seasonal market with the majority of project revenue derived from projects undertaken in Q2 and Q3. Further information on the seasonal nature of the business can be found in the Management report on pages 1 to 4.

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

4. Finance costs (net)

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Interest payable and similar charges	11,251	11,241	15,041
Interest receivable and similar income	(202)	(321)	(445)
	11,049	10,920	14,596

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Interest payable and similar charges			
Bank and loan interest	9,844	9,825	13,125
Finance lease agreements interest	718	727	1,000
Amortisation of loan issue costs	689	689	916
	11,251	11,241	15,041
Interest receivable and similar income	(202)	(321)	(445)
	11,049	10,920	14,596

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Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

5. Taxation

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Current tax on profit on ordinary activities			
Corporation tax payable – UK	(4,733)	5,476	2,394
Corporation tax payable – overseas	33	12	4,173
Corporation tax adjustment in respect of prior years	-	-	(271)
Total current tax	(4,700)	5,488	6,296
Deferred tax			
Origination and reversal of timing differences	(602)	(619)	(719)
Effect of change in tax rate on opening liability	-	-	(344)
Adjustment in respect of prior years	-	-	(254)
Total deferred tax	(602)	(619)	(1,317)
Total tax (credit)/charge on profit on ordinary activities	(5,302)	4,869	4,979

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Profit on ordinary activities before taxation	(37,882)	10,891	4,870
Tax on profit on ordinary activities before taxation at standard UK corporation tax rate of 20.00% (2015:20.25%)	(7,576)	2,205	986
Effects of:			
Expenses not deductable for tax purposes	126	128	170
Costs incurred under the tonnage tax regime not deductable for tax purposes	-	-	473
Income taxable under tonnage tax regime	-	-	(3,259)
Higher/ (lower) tax rates on overseas earnings	(32)	-	3,780
Unrelievable overseas tax losses	568	2,383	3,338
Effect of change in tax rate on opening timing differences	-	-	(344)
Prior year adjustments	-	-	(525)
Other including foreign exchange translation	1,612	153	360
Total tax (credit)/charge for year	(5,302)	4,869	4,979

5. Taxation (continued)

The UK Government announced in 2015 that the main rate of corporation tax will reduce to 19% from 1 April 2017 and 18% from 1 April 2019. A further announcement was made in March 2016 that the main rate of corporate tax will reduce further to 17% from 1 April 2020 with the acceleration in payments dates planned to take effect from 1 April 2017 for very large companies to be delayed by two years. These rate changes will affect the size of the Group's deferred tax assets and liabilities in the future. Deferred tax as at 30 September 2016 has been recognised at the enacted rate at the balance sheet date, which was between 18% and 20% depending on the expected timing of the reversal. During the three month period beginning 1 October 2016, the net reversal of deferred tax liabilities is expected to decrease the corporation tax charge for the year by £70k. This is due to the net book value of qualifying assets being in excess of their tax written down value.

6. Dividends

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Interim dividends paid in the period/year	-	20,110	20,110

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

7. Tangible fixed assets

	Vessel Fleet £000	ROV Fleet £000	Other £000	Total £000
Cost				
Audited 1 January 2016	131,230	41,192	6,905	179,327
Additions	2,551	-	1,232	3,783
Exchange differences	-	924	151	1,075
Unaudited 30 September 2016	133,781	42,116	8,288	184,185
Depreciation				
Audited 1 January 2016	44,095	8,998	3,462	56,555
Charge for the period	7,083	3,113	780	10,976
Exchange differences	-	6	62	68
Unaudited 30 September 2016	51,178	12,117	4,304	67,599
Net book amount				
Unaudited 30 September 2016	82,603	29,999	3,984	116,586
Audited 31 December 2015	87,135	32,194	3,443	122,772

	Vessel Fleet £000	ROV Fleet £000	Other £000	Total £000
Cost				
Audited 1 January 2015	130,710	34,378	6,539	171,627
Additions	477	6,216	304	6,997
Disposals	(13)	-	-	(13)
Exchange differences	-	-	239	239
Unaudited 30 September 2015	131,174	40,594	7,082	178,850
Depreciation				
Audited 1 January 2015	34,605	5,087	2,439	42,131
Charge for the period	7,114	2,889	835	10,838
Relating to disposals	(14)	-	-	(14)
Exchange differences	-	-	275	275
Unaudited 30 September 2015	41,705	7,976	3,549	53,230
Net book amount				
Unaudited 30 September 2015	89,469	32,618	3,533	125,620

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

7. Tangible fixed assets (continued)

Tangible assets include ROV fleet with a total net book value of £23,003k (December 2015:£27,534k and September 2015:£21,471k) are pledged as security against related finance lease agreements.

Vessel fleet includes assets with a total net book value of £79,878k (December 2015:£86,679k and September 2015:£89,131k) are pledged as security for the Bond (detailed in note 8).

8. Borrowings

Finance lease agreements

	Unaudited 30 Sept 2016 £000	Unaudited 30 Sept 2015 £000	Audited 31 Dec 2015 £000
In less than one year	4,811	4,757	5,079
Between one and two years	3,414	4,477	4,321
Between two and five years	3,189	5,508	5,226
	11,414	14,742	14,626

A breakdown of the total future minimum finance lease payments is disclosed in note 13.

Other secured loans

	Unaudited 30 Sept 2016 £000	Unaudited 30 Sept 2015 £000	Audited 31 Dec 2015 £000
Due after more than five years	175,000	175,000	175,000
Less: unamortised loan costs	(5,257)	(4,337)	(5,030)
	169,743	170,663	169,970

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, subject to compliance with certain financial covenants outside which draw down is restricted to 25% of the facility. £2.1m is available for use at the balance sheet date (December 2015:£17.1m and March 2015:£16.3m) with an amount of £2.9m (December 2015:£2.9m and March 2015:£3.7m) being drawn in relation to performance bonds (see note 13).

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

9. Called up share capital

	Unaudited 30 Sept 2016 £000	Unaudited 30 Sept 2015 £000	Audited 31 Dec 2015 £000
Authorised, allotted and fully paid			
17,000,000 Ordinary shares of £1 each	17,000	17,000	17,000

The company has one class of ordinary shares which do not carry right to fixed income.

10. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	Unaudited 9 months to 30 Sept 2016 £000	Unaudited 9 months to 30 Sept 2015 £000	Audited Year ended 31 Dec 2015 £000
Operating (loss)/profit	(26,832)	21,811	19,574
Currency translation difference on foreign operations	35	121	3
Corporation tax paid	623	(9,563)	(11,082)
Depreciation and amortisation	10,976	10,838	14,528
Operating cash flow before movement in working capital	(15,198)	23,207	23,023
Decrease/(increase) in stocks	(614)	740	692
Decrease/(increase) in debtors	(22,920)	12,643	30,682
(Decrease)/increase in creditors	12,013	(26,627)	(34,638)
Increase in other provisions	-	-	1,715
Net cash (outflow)/inflow from operating activities	(26,719)	9,963	21,474

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

11. Reconciliation of Group net debt

	Unaudited 9 months to 30 Sept 2016 £000	**Unaudited 9 months to 30 Sept 2015 £000**	**Audited Year ended 31 Dec 2015 £000**
Decrease in cash and cash equivalents in the year	(41,366)	(23,191)	(19,207)
Cash inflow/(outflow) from increase in net debt	3,210	(867)	(753)
Increase in net debt resulting from cash flows	(38,156)	(24,058)	(19,960)
Amortisation of issue costs	(689)	(689)	(916)
Movement in net debt in the year	(38,845)	(24,747)	(20,876)
Net debt at 1 January	(87,435)	(66,559)	(66,559)
Net debt at balance sheet date	(126,280)	(91,306)	(87,435)

12. Analysis of Group net funds

	Audited 1 January 2016 £000	**Cash flow £000**	**Non-cash movement £000**	**Unaudited 30 Sept 2016 £000**
Cash at bank and in hand	97,161	(41,366)	-	55,795
Debt due within 1 year	(5,079)	322	-	(4,757)
Debt due after more than 1 year	(179,517)	2,888	(689)	(177,318)
	(184,596)	3,210	(689)	(182,075)
	(87,435)	(38,156)	(689)	(126,280)

	Audited 1 January 2015 £000	**Cash flow £000**	**Non-cash movement £000**	**Unaudited 30 Sept 2015 £000**
Cash at bank and in hand	116,368	(23,191)	-	93,177
Debt due within 1 year	(3,260)	(1,568)	-	(4,828)
Debt due after more than 1 year	(179,667)	701	(689)	(179,655)
	(182,927)	(867)	(689)	(184,483)
	(66,559)	(24,058)	(689)	(91,306)

Non-cash movements arise from the amortisation of loan issue costs.

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

13. Financial commitments

The Group has no capital commitments at 30 September 2016 (December 2015:£nil; September 2015:£Nil).

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

	Unaudited 30 Sept 2016		Unaudited 30 Sept 2015		Audited 31 Dec 2015	
	Property £000	**Other £000**	**Property £000**	**Other £000**	**Property £000**	**Other £000**
In less than one year	1,871	33,280	1,733	34,694	1,760	35,628
Between one and five years	6,562	4,756	6,983	34,989	7,211	27,223
After five years	13,296	-	13,587	-	13,184	-
	21,729	38,036	22,303	69,683	22,155	62,851

Total future minimum lease payments under non-cancellable finance lease agreements are as follows:

	Unaudited 30 Sept 2016 £000	Unaudited 30 Sept 2015 £000	Audited 31 Dec 2015 £000
In less than one year	5,481	5,716	5,964
Between one and five years	7,150	10,844	10,488
	12,631	16,560	16,452

Notes to the interim condensed consolidated financial statements
Nine month period ended 30 September 2016

14. Contingent liabilities

As at 30 September 2016, performance guarantees outstanding to customers and suppliers amounted to £2,928k (December 2015: £2,941k and September 2015: £3,676k).

As noted in the Group's statutory financial statements the Group received notification from the Trinidad and Tobago tax authorities as to past indirect liabilities in the amount of £3.4m plus interest and penalties of a further £3.4m. 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 indicated associated interest and penalties, which substantially related 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 2016 (December 2015:£nil and September 2015:£nil).

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 £5.2m plus penalties and interest of £4.3m. The Group is contesting this assessment and does not consider there is risk of significant additional liability as at 30 September 2016.

In January 2016, notification was received of a citation from a US vessel owner seeking compensation for the "termination" of a three year charter agreement in October 2015. We consider the Group acted appropriately in cancelling the contract due to non-delivery by the specified date and that no compensation is due. The citation stated that compensation in excess of $10 million - $20 million may be due based on the full daily charter rate for the original three year charter period less any mitigation by the vessel owner through charter to other parties. The Group believe this citation has no basis and has obtained a court order referring the matter to arbitration. Having considered the circumstances the directors do not believe there is a risk of significant loss to the Group from this matter. Accordingly no provision is made in the interim condensed consolidated financial statements at 30 September 2016 (December 2015:£nil and September 2015: £nil).

15. Related party transactions

The company has applied the exemption given under Financial Reporting Standard 102, 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.

16. Ultimate parent company and controlling party

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

The ultimate controlling party is disclosed in the financial statements of Bibby Line Group Limited. Copies of the Group financial statements may be obtained from Bibby Line Limited, 105 Duke Street, Liverpool L1 5JQ (www.bibbylineGroup.co.uk).