GMS
GMS ENDEAVOUR 6101
Gulf Marine Services PLC
Annual Report 2023

Our Vision
To be the best SESV operator in the world

2023 Overview

Revenue

US$ 151.6m
(2022: US$ 133.2m)

Adjusted EBITDA

US$ 87.5m
(2022: US$ 71.5m)

Net profit for the year

US$ 42.1m
(2022: US$ 25.4m)

Average fleet utilisation

94%
(2022: 88%)

Underlying G&A expenses as percentage of revenue

7%
(2022: 8%)

2023 Financial Highlights

- Group net profits of US$ 42.1 million (2022: US$ 25.4 million), reflecting the strength of the Group's recovery.
- Adjusted EBITDA[1] increased to US$ 87.5 million (2022: US$ 71.5 million) driven by an increase in revenue. Adjusted EBITDA margin[5] also increased to 58% (2022: 54%).
- Net bank debt[2] reduced to US$ 267.3 million (2022: US$ 315.8 million). Net leverage ratio[3] reduced to 3.05 times (2022: 4.4 times).
- Revenue increased by 14% to US$ 151.6 million (2022: US$ 133.2 million) driven by increased utilisation on E-Class and K-Class vessels and higher average day rates across all vessel classes, particularly E-Class.
- Cost of sales as a percentage of revenue[6] reduced by five percentage points to 54% (2022: 59%).
- Underlying general and administrative expenses[4] as a percentage of revenue reduced to 7% (2022: 8%).
- Net reversal of impairment of US$ 33.4 million (2022: US$ 7.8 million) reflecting continued improved market conditions.
- Finance expenses have increased to US$ 31.4 million (2022: US$ 17.7 million) driven by an increase in LIBOR/SOFR rates, the temporary introduction of both a 250 bps PIK in Q1 as well as the increase on the margin rate of the loan from 3.1 to 4.0%, both triggered by the net leverage ratio exceeding 4:1 times as at 31 December 2022. On achieving net leverage ratio below 4:1 times, PIK ceased to accrue in the second quarter of the year, and the margin was thereafter reduced by 90 basis points to 3.1%. This resulted in a reduction in the cost of financing of 340 basis points.
- Impact of changes in the fair value of the derivative increased to US$ 11.1 million (2022: US$ 2.5 million), primarily due to the increase in the Group's share price.

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Also online at https://www.gmsplc.com/Results-and-Presentations.aspx

2023 Operational Highlights

- Average fleet utilisation[7] increased by six percentage points to 94% (2022: 88%) with an improvement in E-Class and K-Class vessels at 92% (2022: 82%) and 95% (2022: 87%) respectively.
- Average day rates increased to US$ 30.3k (2022: US$ 27.5k) with improvements across all vessel classes, particularly for E-Class.
- New charters and extensions secured in the year totalled 8.4 years (2022: 19.4 years).
- Operational downtime decreased to 0.8% (2022: 2.2%).

2024 Highlights and Outlook

- Adjusted EBITDA guidance is set at US$ 92 million to US$ 100 million for 2024.
- Target utilisation for 2024 is 95% of which 83% is already secured.
- Anticipate continued improvement on day rates as our vessel demand outstrips supply on the back of a pipeline of opportunities.
- Average secured day rates of over 10% higher than 2023 actual levels.
- Reversal of impairment recognised with a value of US$ 33.4 million indicative of continued improvement of long-term market conditions.
- Group anticipates net leverage ratio to be below 2.5 times before the end of 2024.

See Glossary.

1 Represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges or deducting reversal of impairment. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 31 to the consolidated financial statements.
2 Represents total bank borrowings less cash.
3 Represents the ratio of net bank debt to adjusted EBITDA.
4 Represents general and administrative costs excluding depreciation, amortisation and other exceptional costs. A reconciliation of this measure is provided in Note 31 to the consolidated financial statements
5 Represents adjusted EBITDA divided by revenue.
6 Represents reported cost of sales divided by revenue.
7 Represents the percentage of available days in a relevant period during which the fleet of Self Elevating Support Vessels (SESVs) is under contract and in respect of which a customer is paying a day rate for the charter of the SESVs.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The Group has complied with the requirements of section 414C7B of the Companies Act 2006 by including certain non-financial and sustainability information within the strategic report. We welcome the introduction of LR 9.8.6(8)R, which requires premium listed companies like GMS, to include TCFD statements in their annual reports. The table below sets out where relevant information can be found within this report*:

Reporting requirement and policies and standards which govern our approach:	Information necessary to understand our business and its impact, policy due diligence and outcomes:
Environmental matters	
• Greenhouse Gas (GHG) Emissions Policy	• Carbon emission reporting, page 35
• Climate change strategy	• People and values section, page 26
• Carbon emission reporting	• Carbon emission reporting, page 35
• Task Force on Climate-related Financial Disclosures (TCFD)	• TCFD, page 26
Employees	
• Anti-Corruption and Bribery Policy	• Ethical practises, page 38
• Social Responsibility Policy	• Ethical practises, page 38
• Whistleblowing Policy	• Ethical practises, page 38, and Audit and Risk Committee report, page 53
• Health and safety standards	• Health and safety, page 39
• Diversity and equal opportunities	• Diversity, page 37, and Directors' Report, page 72
• Employee engagement and welfare	• Employee engagement and welfare, page 37
	• People as at 31 December 2023, Page 38
Human rights	
• Disability Policy	• Employees and policies, Directors' Report, page 74
• Anti-Slavery Policy	• Ethical practises, page 38
• Code of Conduct Policy	• Ethical practises, page 38, Risk management page 17
Principal risks and impact on business activity	• Risk management, pages 12
Remuneration Policy	• Remuneration Policy, page 59
Description of the business model	• Our business model, page 6
Key Performance Indicators (KPIs)	• KPIs, page 20

* Further details on policies and procedures are available on our corporate website: www.gmsplc.com

Committed to Maximising Shareholder Value

In 2023, our business thrived amid industry tailwinds, showcasing year-over-year growth in revenues, utilisation, and day rates. We successfully reduced our net leverage ratio to 3.05 times from 4.4 times as of 31 December 2022. Looking forward, we will continue our deleveraging journey as we spare no efforts to continue to increase shareholders value.

Group Performance

In 2023, the Group demonstrated improvement in its financial performance, attributed to an increase in both utilisation and average day rates across the fleet. Average utilisation was up six percentage points to 94% and the average day rates across the fleet increased to US$ 30.3k compared to the previous year's US$ 27.5k. It is important to highlight that these figures represent averages for the entire fleet, and considering some contracts carried over from previous years at lower rates, the actual increase for new contracts surpassed the reported average. This signals a positive trend in securing new contracts at rates higher than the fleet's overall average, contributing to the overall revenue growth.

The improvement in revenue translated into an improved adjusted EBITDA of US$ 87.5 million (2022: US$ 71.5 million). This exceeded both our initial guidance range of US$ 75 million to US$ 83 million, as well as surpassing the revised guidance of US$ 86 million. This accomplishment highlights the success of our operational performance in maximising financial results.

Capital Structure and Liquidity

As a result of our commitment to deleveraging, the net leverage ratio on 31 December 2023 was reduced to 3.05 times (31 December 2022: 4.4 times), driven by a reduction in the net bank debt to US$ 267.3 million (31 December 2022: US$ 315.8 million) and with improved EBITDA for the year. Attaining a net leverage ratio below 4:1 was crucial, allowing us to limit the number of quarters we were charged PIK interest to one quarter.

During the year, we lowered the cost of financing by 340 basis points. Key benefits of being below 4:1 times includes GMS meeting its covenants, being able to pay dividends and cutting some debt monitoring fees. This achievement not only highlights our financial resilience but also positions us to effectively address other challenges, as highlighted in the risk management section, while advancing on our deleveraging journey.

Concurrent with our deleveraging efforts aimed at shifting value from lenders to shareholders, we are initiating plans to reward our shareholders. Recently approved by the Board, our residual dividend policy seeks to strike a balance between investing in the business and providing returns to shareholders. Management is currently evaluating the timing for its implementation, a consideration that has only recently come to the forefront.

The Group is in the process of refinancing its term facility in advance of the bullet payment becoming due in June 2025. Management's ongoing discussions with various lending entities are aimed at securing terms that align with our long-term strategic objectives, ensuring continued financial stability. We are optimistic about the outcome of these negotiations and will keep shareholders updated as we navigate this pivotal phase in our financial planning. The Board expresses confidence in our ability to secure favourable terms that will contribute to the sustained success and growth.

Governance

In August 2023, we announced the departure of Rashed Al Jarwan, a non-executive Director of the Group, who retired from the Board. I extend my sincere gratitude to Rashed for his contributions during the pivotal period since joining the Board in 2020. Following Rashed's retirement, we were pleased to welcome Haifa Al Mubarak who joined the Board as an independent non-executive Director in October 2023. Haifa brings over 40 years of oil and gas experience to the business and also reflects our efforts to create a more representative Board, demonstrating our commitment to promoting diversity in all aspects of our organisation. I look forward to continuing to benefit from Haifa's insights and expertise.

As a Board, we have continued to emphasise the development of effective risk management and internal control systems, including regular audits and reporting to ensure accountability and transparency. Demonstrated by over 50 meetings with investors and other stakeholders, we have open lines of communication on relevant information. We conducted sessions on transparent and ethical business practices, including a Code of Conduct review for employees and stakeholders, and ensuring compliance with relevant regulations and laws. This is an example of our continuous commitment towards environmental, social, and governance (ESG) initiatives, including sustainability practices and community engagement.

Commercial and Operations

The Group successfully secured four new contracts and extended four existing ones, totalling 8.4 years in aggregate (2022: 19.4 years in aggregate). Our operational performance also demonstrated continued improvement, as evidenced by a reduction in operational downtime to 0.8%, compared to 2.2% in 2022.

Safety

The Group improved its Lost Time Injury Rate (LTIR) going from 0.1 in 2022 to zero in 2023. However, two medical treatment cases were recorded taking the Total Recordable Injury Rate (TRIR) from 0.1 in 2022 to 0.18 in 2023. These levels continue to be below industry average. We continue to look at areas of improvement in our systems and processes and engaging our employees to ensure that our offshore operations continue to be as safe as possible in line with the expectations of our customers and stakeholders.

Task Force on Climate-Related Financial Disclosures

We continue to comply with LR 9.8.6(8)R requirements by including climate-related financial disclosures consistent with Task Force on Climate related Financial Disclosures (TCFD) recommendations and recommended disclosures. The TCFD recommendations focus on how companies respond to the risks and opportunities associated with climate change. Consistent with the recommendations, a climate scenario analysis was used to understand the potential climate-related transition and physical risks to our operations over the short, medium, and long term. Climate change is now integrated into our enterprise risk assessment process. Risk management workshops are held at least annually and attended by the Executive Chairman and other Directors. Full details are provided in our TCFD report on page 26.

Outlook

The offshore industry is dynamic, and today we are more agile to adapt and ensure sustained relevance in the future. I take pride in our successful deleveraging efforts, which along with our much improved operational and financial performance, underscores our commitment to enhancing shareholder value. Concurrently, we are actively exploring avenues for future growth, aligning ourselves with emerging trends and positioning for sustained success.

Given the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve and reiterates its adjusted EBITDA guidance for 2024 between US$ 92 million to US$ 100 million. This reflects our confidence in sustaining positive momentum.

Finally, I would like to thank our employees, shareholders and other stakeholders for their continued support in achieving the Group's ongoing success.

Mansour Al Alami
Executive Chairman
03 April 2024

Our business model revolves around providing a practical and cost-effective solution to customers in the offshore oil, gas, and renewable energy sectors. We achieve this through a fleet of self-propelled Self-Elevating Support Vessels (SESVs), designed to meet the specific needs of our clients in challenging marine conditions.

Our Resources

Prioritising Health, Environment and Quality

Safety remains our foremost priority, supported by a resilient Health, Safety, Environment and Quality (HSEQ) management framework and a pervasive safety-centric culture.

Meeting Client Demands for Efficiency and Cost Reduction

As clients increasingly prioritise vessels that reduce costs and improve operational efficiencies for their projects. Our fleet of 13 SESVs, with an average age of 13 years, is designed to meet the operating standards our clients require.

Empowering a Diverse Workforce for Success

Our workforce, rich in diversity and global experience, personifies excellence in the SESV sector. GMS cultivates talent to unmatched standards by empowering individuals to grow, develop and realise their utmost potential, thereby driving success for our organisation.

Leveraging Flexibility for Market Resilience

GMS operates across various industries and geographical regions, leveraging the adaptability of its fleet to deliver highest quality services to a diverse clientele. This strategic flexibility enables us to maintain a market presence across different business sectors and geographies, positioning us as a resilient entity in times of fluctuating demand.

Our Operations

Operates a Fleet of Self-propelled SESVs

GMS owns and operates a fleet of SESVs, which are chartered to our clients, providing cost-effective and safe offshore support solutions. With an average age of 13 years, the fleet is well positioned within the market. GMS currently supports oil, gas and renewable energy clients in the Arabian Peninsula region and North-West Europe.

Drives Performance Through Reportable Metrics

GMS assesses productivity across the Group by ensuring reportable metrics are clear, aligned, communicated and regularly reported. The annual Short-Term Incentive Plan incorporates a scorecard focused on performance, and thereby productivity, for all employees.

Delivering Operational Excellence

GMS is dedicated to achieving excellence across all operational activities, providing clients with a comprehensive suite of services aimed at enhancing operational efficiency while delivering time and cost benefits. Our commitment to maintaining excellent safety standards not only safeguards the well-being of clients, employees and contractors but also minimises our environmental footprint.

To align with the in-country value requirements mandated by several of our Arabian Peninsula-based clients, GMS collaborates closely with local suppliers. This strategic partnership maximises in-country expenditures, thereby fostering economic growth within the region. Additionally, we encourage our partners to similarly prioritise in-country spending within their own supply chains whenever feasible.

What We Deliver

Shareholders

Generating higher and sustainable profits through improving utilisation and charter day rates, reduction in operational cost base. Transfer of value to shareholders via improved capital structure through continued deleveraging of the Group's balance sheet.

Customers

GMS delivers services that prioritise safety, reliability and cost-effectiveness, empowering clients to optimise their operations. Our commitment to safety highlights our exceptional track record in consistently providing clients with market leading services.

People

A dedicated workforce committed to performance and well-being flourishes within an environment characterised by positivity and openness. This engaged workforce remains a cornerstone of our operations, fostering a culture of excellence and continuous improvement.

Suppliers

Long-term partnerships focusing on local content.

Securing Sustainable Value Creation for Shareholders

Management's primary aim is to deliver resilient shareholder value by swiftly and efficiently deleveraging the Group. The following strategic priorities are entirely geared towards accomplishing this key objective.

Strategic Priority	What it Means
#1 Revenue Maximisation	Increase charter day rates driven by the improving supply/demand dynamics in our core markets. Maximise utilisation through best-in-class operations. Continually enhance operating capability while offering new and improved offshore support solutions, to anticipate client needs.
#2 Cost management	Deliver safe and cost-effective operations. Optimise capital expenditure. Focused efficiencies in operational costs.
#3 Working capital management	Improved cash management across the Group to help reduce debtor days whilst improving credit terms with our key suppliers. Maximise cashflows from operations to help reduce leverage levels.
#4 Controls	Maintain an efficient and effective control environment. Develop and maintain a robust internal controls manual. Equip our staff with greater skills to deliver quality performance. Monitoring the implementation of controls with close exception reporting.

2023 Progress	Future Priorities
Utilisation increased by six percentage points to 94% from the 2022 figure of 88%. This continues to be the highest level of utilisation achieved since 2014. Average day rates across the fleet increased by 10% compared to the previous year's increase of 7%. New contracts and extensions secured in the year totalled 8.4 years (2022: 19.4 years).	Focus on local content requirements demanded by our clients across the Arabian Peninsula region to ensure we are well placed to secure new contracts. Maintaining strong relationships with our core customers to win and secure contracts that add to our backlog. Renegotiate contractual terms when existing contracts come to an end with the precursor to day rate improvement and longer-term contracts. Continue to explore new opportunities in other markets.
Total Recordable Injury Rate (TRIR) slightly increased from 0.1 in 2022 to 0.18 in 2023 which continues to remain below industry average. Limiting capital expenditure to maintaining the fleet to a level that ensures safe operations and meets client requirements. The adjusted EBITDA has improved to US$ 87.5 million (2022: US$ 71.5 million), through cost control measures.	Ensure key safety Key Performance Indicators (KPIs) are monitored frequently to allow safe and reliable operation of fleet. Managing inflationary pressures through negotiating terms with current key suppliers. Focus on maximising cash generation with a continued emphasis on reducing our leverage.
Reduced leverage levels from 4.4 times at the end of 2022 to 3.05 times at the end of 2023, through effective working capital management as highlighted by a reduction in the trade debtors to US$ 30.6 million (2022: US$ 33.2 million). Group has continued to deleverage by making repayments of US$ 56.2 million (2022: US$ 51.4 million) towards its borrowings, of which, US$ 26.2 million (2022: US$ 3.8 million) were over and above its contractual obligations. A total of US$ 33.7 million (2022: US$ 3.8 million) was prepaid during 2023.	Closely monitoring the ageing of receivables to ensure sufficient liquidity to meet our operational and banking requirements. Make additional prepayments towards the bank loans to continue to deleverage, thus reducing the finance cost. Refinancing its term facility in advance of the bullet payment becoming due in June 2025.
The Group has to comply with International Maritime Organization (IMO) regulations and during the year undertook Internal Audits Marine training in ISM, ISPS and MLC to fulfil IMO compliance. As such, all offshore staff have continued to comply with the training requirements to fulfil our accreditation. Internal auditors conducted audits of the HR and IT functions during the year. The IT audit is at its final stages with observations being discussed with the IT team, while the HR audit report has been completed. The report identified control weaknesses, which were assessed as not representing significant risks.	Maintaining an internal control environment to appropriately mitigate the operating risks inherent in the sector, whilst allowing the Group to achieve its strategic objectives and deliver value to shareholders. Monitoring progress of the internal audit and implementing required controls to ensure a robust controls environment.

SECTION 172 STATEMENT

The Directors of Gulf Marine Services Plc, as individuals and together, consider that they have acted in a way that would most likely promote the success of the Group and for the benefit of its members as a whole and its other stakeholders. The key matters considered by the Board include the following:

- the need to act fairly between members of the Group;
- the need to maintain the Group's business relationships with suppliers, customers and other stakeholders;
- the interests and safety of the Group's employees;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the likely consequences of any decision in the long term.

The Board has always taken into account its obligations under Section 172(1) of the Companies Act 2006 (Section 172), including during the year, in line with current reporting requirements. Key decisions have been specifically confirmed at each Board meeting to take into account these matters. This has been supplemented by the roles of the individual Directors giving due regard and consideration for each element of the Section 172 requirements. The Board has always maintained an approach to decision-making that promotes the long-term success of the business and is in line with the expectations of Section 172. The disclosures set out here demonstrate how GMS deals with the matters set out in Section 172(1)(a) to (f). Cross-references to other sections of the report for more information are also included.

How GMS Engages with Stakeholders	Stakeholder Objectives	How did Engagement Support Board Decision Making?
Shareholders		
GMS shareholders are institutional investors and private shareholders located across the world. We recognise the importance of the activities and outcomes of stewardship and regularly engage with investors on our financial performance, strategy and business model and our Environmental, Social and Governance (ESG) performance. The Executive Chairman holds regular meetings with the representatives of major shareholders and an update on these meetings is provided at each of the main Board meetings. GMS' website has a dedicated section with a specific email address for all shareholders to use, which is monitored daily, and all emails receive a response. There is also an investor presentation that accompanies the full and half-year results, which shareholders can dial into. Our Annual General Meeting (AGM) provides another forum for our shareholder base to engage. GMS also has an active social media presence on LinkedIn and posts updates on major developments in the Group. Two of our non-executive Directors are nominated by our two largest shareholders. Refer to the Board Report on page 46 regarding protocols to manage information shared with the Group's non-independent non-executive Directors.	Investors are interested in a broad range of matters including, share price, financial and operational performance, strategic execution, management of corporate risk and capital allocation (including bonus payments for management and returns for investors) and ESG performance of the Group.	The Directors of GMS regularly received reports on the Group's major shareholders from the registrar. They also received reports on engagements with shareholders. The Executive Chairman engaged with major shareholders throughout the year. The Executive Team interacted with shareholders on over 40 occasions during 2023. The Board continued to have input to the Group's communication with its shareholders. There continued to be a regular flow of trading updates including all major contract wins and information posted on the Group's website and social media to provide transparency to all current shareholders in the business and any potential investors. The Board continued to engage with the major shareholders as a special resolution was not passed at the AGM in 2023. The Board hopes that the shareholders would support all the resolutions recommended and proposed at the AGM in 2024.
Clients		
GMS works closely with its customers to deliver an industry-leading offering. The Board is informed of all tender activity at each Board meeting. Senior Management engage regularly with clients via face-to-face meetings to ensure GMS fully understands operational performance; client service and safety are the key drivers of meetings. Through this engagement, GMS learns about, immediate and ongoing tender requirements and future demand, and changes to strategy and/or technical or operational requirements. This informs critical business decisions associated with fleet deployment, prioritising future business development activity and resource and local content investment (HR, Procurement and Local Partnerships). It also helps with overhead sizing and allocation and capital expenditure planning, while meeting client needs.	Clients are mainly concerned with ensuring value for money in the services received. They also wish to ensure that services meet their specifications and are delivered efficiently and safely.	The Board combines strong relationships with key clients in the Arabian Peninsula region and a high level of industry knowledge. Engagement with clients was crucial in providing the information the Board needed to drive the Group's long-term plans, which was key to the long-term delivery of GMS' strategy. Engagement with our clients helped the Group to make informed decisions on capital expenditure, which remain limited to keeping vessels in class and equipment in good condition to meet specific client requirements. GMS' focus over the coming years is on delivering a sustainable capital structure by deleveraging the balance sheet. Once this is sufficiently progressed, capital allocation and resources will be reviewed assuming resources are available. Refer to the Financial Review for more details.

How GMS Engages with Stakeholders	Stakeholder Objectives	How did Engagement Support Board Decision Making?
Lenders		
GMS continued to have extensive interaction with its lenders and respective teams. Capital structure is always kept under consideration in any decision making to ensure that the Group stays within its covenants.	Lenders are primarily concerned with ensuring that the capital value of their loans are protected, and that interest is paid. They also wish to ensure that other material provisions of the lending agreements are complied with.	The increase in adjusted EBITDA meant that the Group continues to successfully repay significant amounts of principal and this resulted in a reduction in leverage to 3.05 times (2022: 4.4 times). This was one of the main priorities for the Board, which Management successfully delivered. Refer to the Financial Review on pages 22 to 24 for further details.
Suppliers		
GMS' supply chain is fundamental to the ability to deliver reliable operations. The Group has a strategy of long-term partnerships with key suppliers based on regular and transparent communication with suppliers through site visits, calls and surveys. The Group continuously reviews its existing supply chain which ensures continuity of supply. The Board received regular updates on this during the year.	Suppliers are primarily focused on fair and timely payment terms as well a collaborative approach and open terms of business. GMS works to maximise in-country spending, which is a requirement from National Oil Company (NOC) clients.	The Board was given regular presentations and updates on the Group's procurement activities including development of key focus areas for procurement in future. The Group continues to look into cost savings initiatives and maximising in-country value and renegotiate the terms of major supply contracts to improve efficiency.
People		
Our employees are our most important asset. They want to work in an environment where they are safe and respected, and have the opportunity to learn, reach their potential and develop successful careers in a Company they can be proud of. The quality of the workforce is crucial to the success of GMS. We regularly communicate with both on and offshore staff via weekly email updates, meetings and video communication from the Executive Chairman to all offshore staff. All non-executive Directors have visited our offices in Abu Dhabi and engaged with staff during their visit. Lord Anthony St John of Bletso is our dedicated workforce engagement non-executive Director. An end of year celebration event was held at the Abu Dhabi HQ office to celebrate the collective wins as a team in 2023. During this event, long service employees were also recognised with awards for 10, 15, 20 and 25 years of service.	Employees are concerned with job security, opportunities for training, a culture of fairness, inclusion and communication, compensation and benefits.	Regular updates on Health and Safety and HR activities and its future plans are provided at main Board meetings. Refer to page 37 for more details on engagement with our people.

Markets

Arabian Peninsula Region

In the Arabian Peninsula region, Offshore Oil and Gas (O&G) production is expected to increase over the next decade, driven by a planned 29% increase in production capacity. Self-Elevating Support Vessels (SESV's) demand across the Arabian Peninsula region was at c.21,300 vessel days in 2023, an increase by 22% year-on-year, with an implied utilisation of 82%. Over the next five years, demand across the Arabian Peninsula markets is expected to grow rapidly and reach a height of 37,930 vessel days by 2027. This growth would effectively exceed available supply, leading to exploration and production contractors across the region to attempt to lock in capacity early to secure SESVs to support committed field development work. The high utilisation rates spurred several new build orders in 2022, which were fulfilled in 2023, consequently increasing the overall number of SESVs in the region. Additional orders for SESVs were placed in 2023, with anticipated delivery dates in 2024, however a portion of these new builds are earmarked for contracts already awarded. Increasing supply tightness as well as the importance of SESVs to support major offshore field developments has seen a uptick in day rates over the past few years. While day rates averaged US$ 30k over the 2017-2021 period, new tenders in 2023 drove the average rates to just over US$ 44k.

In 2023, the Arabian Peninsula region revenue contributed 91% (2022: 89%) of the total Group revenue. During the year, the Group secured eight new contracts and extensions to current contracts with a total duration of 8.4 years. The Arabian Peninsula region saw an increase in fleet average utilisation from 88% to 95%, driven by the rise in demand for E-Class and K-Class vessels.

As of 31 December 2023, GMS operates three vessels in Qatar, three vessels in KSA and six vessels in the UAE.

North-West Europe

Offshore wind farms in Europe remains a pivotal market for GMS across both operation and maintenance sectors, as well as in supporting the construction and commissioning of new wind farms. Anticipated overall activity is projected to average 9,150 vessel days annually from 2024 to 2027, with c.40% yoy surge expected in 2027-2028.

In 2023, the North-West Europe region revenue contributed 9% (2022: 11%) of the total Group revenue. GMS currently has one of its large class vessels working in Europe engaged in the ongoing maintenance and operation of existing windfarms. The vessel is engaged on a long-term contract with options extending up to 2029.

Market Outlook

Global energy demand is the principal indicator of all O&G related investments, driving support for hydrocarbon exploration, and production and consequently demand for supply chain services such as SESVs. The BP Energy Outlook 2023 forecasts primary energy demand to increase by c.13% between 2020-2040. The Arabian Peninsula region is expected to provide the largest incremental demand of 4.8 mmboe in offshore O&G production – growing 29% from 16.6 mmboe to 21.4 mmboe over the next decade. In addition, it is likely that the offshore wind industry investment will generally exceed that of O&G for the foreseeable future accounting for c.45% of total offshore energy spending expected over the 2024-2027 period.

Map legend

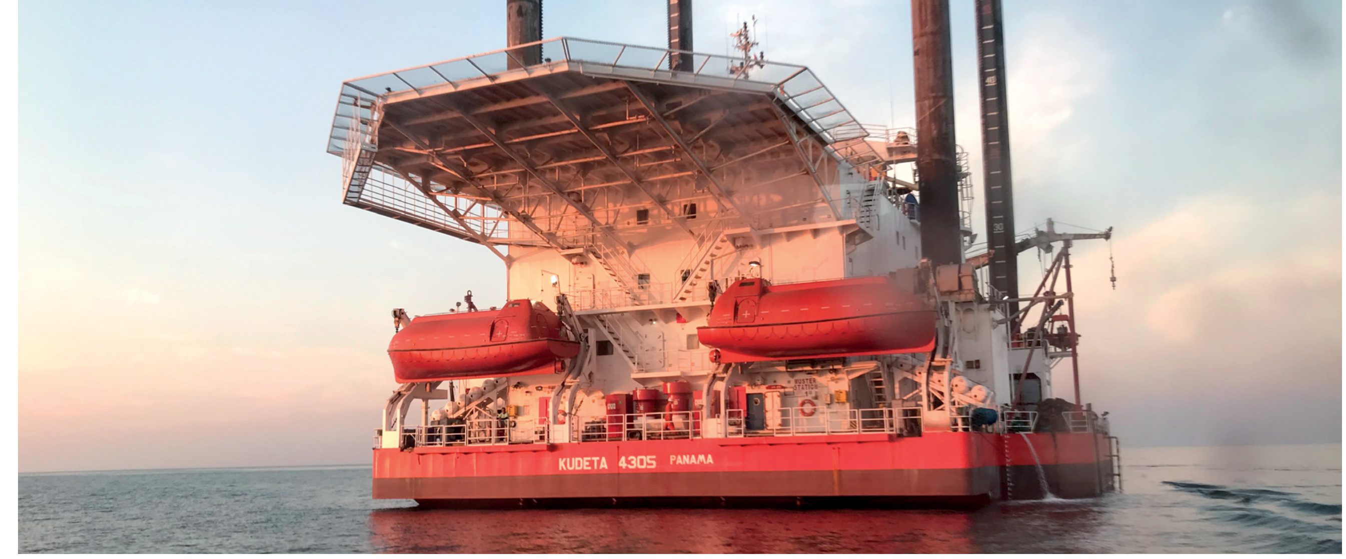
- ● E-Class
- ■ S-Class
- ▲ K-Class

Europe
- ● Endeavour

Qatar
- ● Endurance
- ● Evolution
- ▲ Kikuyu

UAE
- ▲ Kawawa
- ▲ Kamikaze
- ▲ Keloa
- ▲ Pepper
- ■ Scirocco
- ■ Shamal

KSA
- ● Enterprise
- ▲ Kudeta
- ■ Sharqi



Ensuring the effective identification, management and mitigation of business risks, as well as the pursuit of opportunities, are pivotal for achieving the Group's strategic goals. A robust risk management system is established to facilitate the identification, analysis, evaluation, mitigation and continuous monitoring of risks, as outlined in the framework below.

Board of Directors
The Board has overall responsibility for the Group's strategy and ensuring effective risk management.

Audit and Risk Committee
Responsibilities include reviewing the Group's internal control and risk management systems as well as monitoring the effectiveness of the Group's internal audit function.

Senior Management
The Executive team implements the risk management process from risk identification to management and mitigation.

Internal Audit
There are clear reporting lines from the internal audit function to the Audit and Risk Committee and the Executive team.

The framework incorporates the policies, culture, organisation, behaviours, processes, systems and other aspects of the Group that, when combined, facilitate its effective and efficient operation. Business risks across the Group are addressed in a systematic way through the framework, which has clear lines of reporting to address the management of risks, and improvement of internal controls were considered appropriate.

The Board has overall responsibility for ensuring that risks are effectively managed.

As an integral part of their regular risk assessment procedures, the Board evaluates the relevance of Environmental, Social and Governance (ESG) issues to GMS' operations. The Audit and Risk Committee oversees the evaluation of the Group's internal control system and procedures. Following its assessment, the Audit and Risk Committee has determined that GMS' operational internal control system, including risk management practices, remains effective for day-to-day operations.

The Audit and Risk Committee is responsible for reviewing the effectiveness of the Group's financial controls and the financial reporting process, which include the timely identification and resolution of areas of accounting judgement, and the quality and timeliness of papers analysing those judgements.

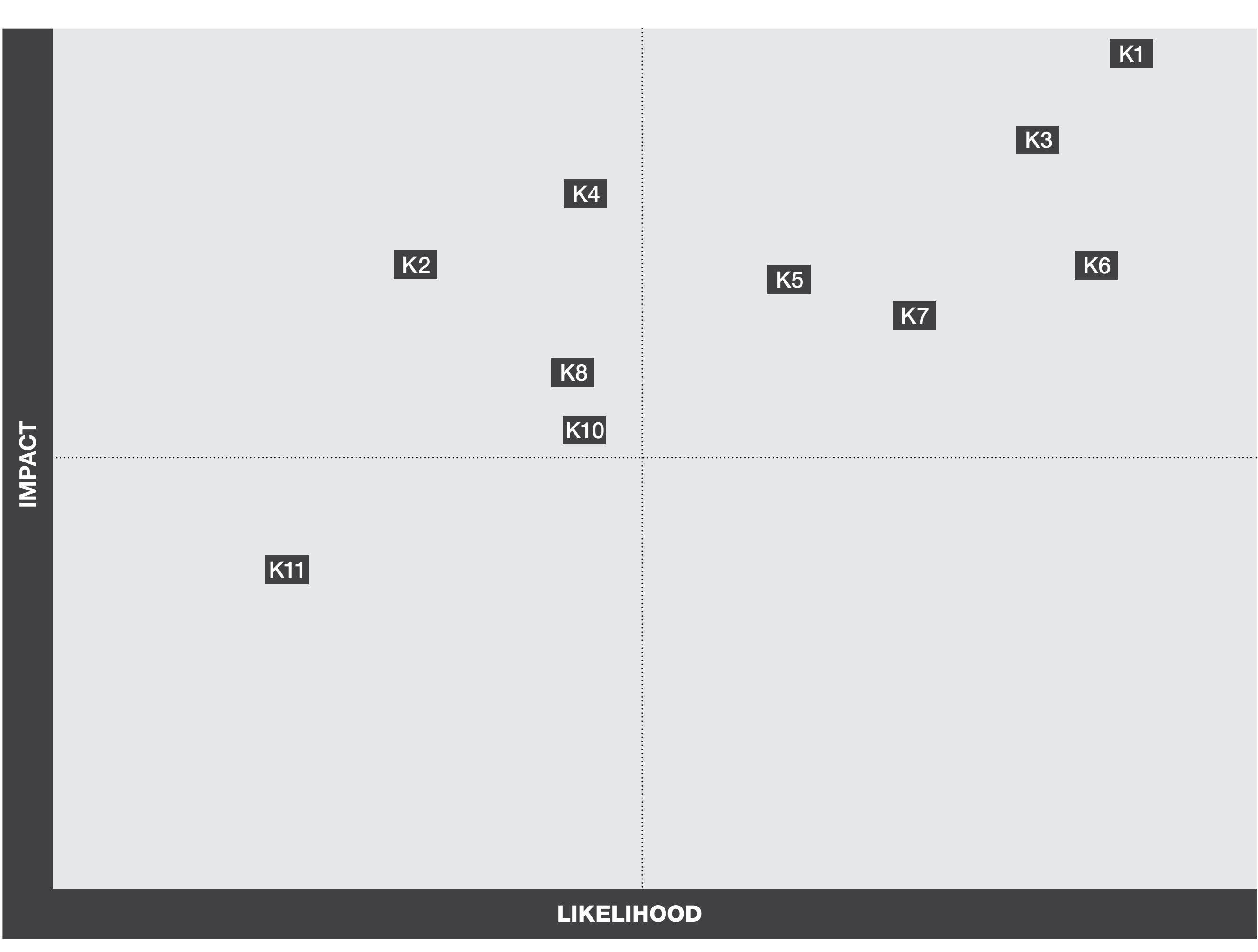
The Audit and Risk Committee reviewed control deficiencies identified during the prior year end and are satisfied that management have improved areas where control deficiencies were identified. There were no significant weaknesses identified by the Board as part of their review during the year.

The enterprise risk assessment process begins with identifying risks through quarterly reviews by individual departments. This contains an assessment of the principal risks facing the Group. Mitigating controls are then identified.

The departmental reviews are then consolidated by the Executive team to identify an overall heatmap. Emerging risks are also identified through these discussions and included in reporting to the Audit and Risk Committee, which reviews the risk profile at least quarterly. The Board reviews the risk profile formally on an annual basis (see page 52 for details of the Board's actions as part of their review).

Residual Risk Heat Map

- K1 Utilisation
- K2 Inability to secure appropriate capital structure
- K3 Arabian Peninsula region local content requirements
- K4 Inability to deliver safe and reliable operations
- K5 Liquidity and covenant compliance
- K6 People
- K7 Legal, economic and political conditions
- K8 Compliance and regulation
- K9 COVID-19 pandemic (Removed in 2023)
- K10 Cyber-crime – security and integrity
- K11 Climate change



Principal Risks and Uncertainties

Future results are uncertain due to factors beyond our control. Operating vessels offshore involves varying levels of uncertainty influenced by weather conditions, sea state and navigational hazards. Despite advanced technology and experienced crews, there's always some uncertainty. Our operations follow strict safety regulations to minimise risks. It's important to plan and remain adaptable as circumstances change, impacting our results and investment value. The principal risks facing the Group in the next five years, along with mitigation measures, are outlined below, though not exhaustive.

Key

Revenue Maximisation

Cost Management

Working Capital Management

Controls

Risk	Mitigating Factors and Actions
1 Utilisation	
Utilisation levels may be reduced by the following underlying causes: • Customer concentration leading to potential changes in our contract profile and pipeline. Risks of potential loss of some clients to competitors. • ADNOC continues to expand its fleet thus controlling the UAE market. • Fleet capabilities may no longer match with changing client requirements. Clients may increase the standard specification required for a Self-Elevating Support Vessel (SESV), which might require the Group to upgrade some of its fleet to be compliant.	**Strengthening Client Engagement and Foster Loyalty** The Group maintains strong client relationships through consistent communication and a demonstrated history of delivering secure and reliable services. GMS has formulated strategies for fleet upgrades aligned with anticipated client needs in the future. These initiatives aim to craft commercial proposals that foster loyalty, encouraging customers to commit to longer-term contracts involving a greater utilisation of vessels through incentivisation. **Diversification Strategies Across Business Segments and Geographies** The Group actively seeks opportunities to optimise vessel utilisation and consistently evaluates avenues for diversifying its market presence by expanding its client portfolio. **Customisation Capabilities for Client Needs** The Group is capable of modifying assets in order to satisfy client requirements. Further, GMS' vessels are adaptable to compete for a wider market share, enabling the Group to maximise the utilisation level and charter day rates. To comply with LIMS (Lifting Integrity Management System) the Group has involved engineering companies to perform technical studies on existing equipment to extend the life of equipment (time limited).

Risk	Mitigating Factors and Actions
2 Inability to Secure an Appropriate Capital Structure	
Poor financial performance, such as declining revenues or profitability, can make it more difficult for the Group to attract financing or negotiate favourable terms.	**Focus on Deleveraging** Conscious focus on deleveraging has resulted in reduction in leverage levels to 3.05 times compared to 4.4 times in 2022. Group anticipates net leverage ratio to be below 2.5 times before the end of 2024.
A low share price may prevent GMS from raising sufficient levels of equity to recapitalise the business.	**Investors Relationship Management** Maintain strong investor relations and ensure timely dissemination of Regulatory News Service (RNS) updates.
As warrants were issued in January 2023, this may impact the Group's ability to attract new investors as there would be a potential dilution if these warrants are exercised.	**Increased share price** The share price has increased from 4.65 pence as of 31 December 2022 to 14.5 pence as of 31 December 2023, reflecting investors' confidence in the Group's business strategy.
3 Arabian Peninsula Local Content Requirements	
Arabian Peninsula region National Oil Companies (NOCs) have local content requirements as part of their tender processes, which varies for each country, designed to give preference to suppliers that commit to improving their local content and levels of spend and investment in-country. This may prevent GMS from winning new contracts or lead to financial loss and/or a reduction in profit margins on existing contracts, which will ultimately impact operating cash flows and net profitability.	**Local Content Requirements** GMS fully embraces local content regulations, reflecting its extensive experience in serving NOCs in the Arabian Peninsula region. The Group maintains offices in Arabian Peninsula region countries where it operates, actively overseeing its supply chain to prioritise the enhancement of local content. When required, GMS collaborates with local partners in targeted markets to strategically position itself for project acquisition. Notably, during the tendering phase, companies with superior audited local content scores are typically offered first refusal to match any lower bids. **Market Knowledge and Operational Expertise** The Group has well-established long-term relationships in the Arabian Peninsula region which provides an understanding of clients' requirements and operating standards. **Local Content** The Group continues to explore ways to improve its local content scores in all the regions in which it operates. We are tracking the scores in two jurisdictions.
4 Inability to Deliver Safe and Reliable Operations	
Geo-political events or pandemic may impact ability to safely operate assets due to restricted crew travel in certain countries. The Group may suffer commercial and reputational damage from an environmental or safety incident involving employees, visitors or contractors. Inadequate preparation for situations, such as sudden equipment failure, inability to fulfil client requirements and unpredictable weather could have a negative impact on the business. Incomprehensive insurance coverage may lead to financial loss.	**Safety Commitment and Operational Reliability** Our highest priority is providing safe and reliable operations. This is achieved through a resilient Health, Safety, Environment and Quality (HSEQ) management system and a strong safety-focused culture. Management has appropriate safety practices and procedures including disaster recovery plans and comprehensive insurance cover across our fleet. **Training and Compliance** Our employees undergo continuous and rigorous training on operational best practices. **Scheduled Maintenance** The Group adheres to regular maintenance schedules on its vessels to ensure compliance with the highest safety standards. **Business Continuity Plan** The Group has implemented a business continuity management plan, which it regularly updates to ensure the reliability of its operations, including the capability to transfer crew and source spares from different regions to maintain safe operations. Management continues to review and improve the current management systems and monitors the performance of HSEQ.

Risk	Mitigating Factors and Actions
5 Liquidity and Covenant Compliance	
The business is exposed to short-term liquidity management risks due to high interest rates and inflation, which could impact the debt service obligations and the Group's bank facilities covenants. Reduced liquidity could impact future operations and lead to an event of default. This would give lenders the right to accelerate repayment of the outstanding loans, and then exercise security over the Group's assets. Breach of covenant – All covenants are closely monitored due to the Group's performance being very sensitive to many internal and external factors such as utilisation, operational downtime, interest rates and other variables.	**Liquidity Management** The Group continues to manage liquidity carefully through focusing on cash collection from its customers. **Optimising Capital Expenditure** The Group continues to restrict capital expenditure to essential spending as well as specific client requirements, but without jeopardising the safe and reliable operations of its vessels. **Covenant Compliance** The management team and Board regularly examine future covenant compliance based on the latest forecasts and take necessary measures to avoid any potential where a future breach of covenant is at risk. The Group monitors its various covenants throughout the remaining period of the loan. **Focus on Deleveraging** Management continues to focus on making early repayments of the bank loans to reduce the interest costs, improve our leverage position and meet our covenant requirements.
6 People	
Attracting, retaining, recruiting and developing a skilled workforce. Losing skills or failing to attract new talent to the business has the potential to undermine performance.	**Effective Communication, Training and Engagement Initiatives** Communication has remained a key practice of management. GMS held a full two-day strategy meeting at the Group's headquarters in Abu Dhabi. This brought together the Board and Senior Management in a productive forum discussing longer-term plans for the business. It included presentations and discussion on each key aspect of the Group's operations, recent and future industry developments and ongoing and future strategic plans. Further, events like our recent Abu Dhabi headquarters celebration, recognising employee milestones from 10–25 years of tenure, reinforce our united culture. As the Group matures and longtime experts pass their torches, we are committed to developing the next generation of leaders equipped to guide our mission. **Remuneration Policy** The Short-Term Incentive Plan (STIP) is based on a single Business Corporate Scorecard to ensure all staff are aligned and incentivised around delivering a single set of common goals. **Equal Opportunities** GMS is engaged in fair and transparent recruitment practices. It has a zero-tolerance policy towards discrimination and provides equal opportunities for all employees. Further, GMS adds value through development programs, promotion from within the organisation and focus on growing talent. **Resource Planning** The Group has identified all critical roles held by individuals and have adopted processes to ensure the smooth transition in the event of changes in those personnel. Also, in the short term, the Group utilised recruitment specialists and head-hunters to fulfil key positions as the need had arisen.

Risk	Mitigating Factors and Actions

7 Legal, Economic and Political Conditions

Political instability in the regions in which GMS operates (and recruit from) may adversely affect its operations.

As the majority of crew for certain key positions come from Eastern Europe and Southeast Asia, political instability may hamper the recruitment, retention and deployment of personnel.

Emergency Response Planning and Insurance
For all our major assets and areas of operation, the Group maintains emergency preparedness plans. Insurance cover over the Group's assets is reviewed regularly to ensure sufficient cover is in place.

Workforce Planning and Monitoring
Workforce planning and demographic analysis is undertaken in order to increase diversity within the Group. Multiple new recruitment agencies registered to source and diversify crew composition across different geographies.

Monitoring Inflation and Interest Rates
Management is continually monitoring the liquidity position from changes in inflation and a focus on cost reduction. During the year, GMS has recruited a Cost Controller to monitor and manage financial expenditures to ensure adherence to budgetary constraints and optimise cost efficiency. The key aim of the Group is to deleverage through early repayments, which will reduce the impact of interest.

8 Compliance and Regulation

Non-compliance with anti-bribery and corruption regulations could be detrimental to stakeholder relations and lead to reputational and financial loss.

GMS' operations are subject to international conventions on – and a variety of complex federal and local laws, regulations and guidelines relating to – health, safety and the protection of the environment. Compliance with these has become increasingly costly, complex and stringent. Failure to appropriately identify and comply with laws and regulations, could lead to regulatory investigations.

Compliance with recently introduced UAE Corporate Tax Regulations, including adherence to transfer pricing requirements, poses potential administrative and financial obligations for the Group.

Code of Conduct
The Group has a Code of Conduct which includes anti-bribery and corruption policies, and all employees are required to comply with this Code when conducting business on behalf of the Group. It is mandatory for employees to undergo in-house training on anti-corruption. All suppliers are pre-notified of anti-bribery and corruption policies and required to confirm their compliance with these policies.

Regulations
A central database is maintained which documents all of GMS' policies and procedures which comply with laws and regulations within the countries in which GMS operates. A dedicated Company Secretary is in place to help monitor compliance, in particular for UK legal and corporate governance obligations.

External Review
The internal auditors help ensure compliance with GMS policies, procedures, internal controls and business processes.

Engagement of Tax Consultant
A reputed tax consultant has been engaged to assist with a Group tax health check, a review of Group's transfer pricing policy and implementation of corporate tax in the UAE.

9 COVID-19 Pandemic – Removed During 2023

Risk	Mitigating Factors and Actions
10 Cyber-crime – Security and Integrity	
Phishing attempts result in inappropriate transactions, data leakage and financial loss. The Group is at risk of loss and reputational damage through financial cyber-crime.	**Cybersecurity Monitoring and Defence** GMS operates multi-layer cyber-security defences which are monitored for effectiveness to ensure they remain up to date. GMS engages with third-party specialists to provide security services.
11 Climate Change	
Climate change poses both transition and physical risks to the Group. The transition risks come from the decarbonisation of the global economy. This could result in changing investor sentiment making new investors harder to find. It may bring changing client preferences leading to reduced demand for our services. New legislation could require us to increase reporting and possibly substitute our products and vessels for greener alternatives. Physical risks include rising temperatures, which could further impact working hours, and rising sea levels, which could affect where our vessels can operate. The physical risks also interact with principal risk 4 – Our inability to deliver safe and reliable operations.	**Legal and Policy Monitoring** The Group carefully monitors legislative developments to ensure compliance with all relevant laws both in the UK and the Arabian Peninsula region. The TCFD disclosure in this report explains our assessment and response to climate-related risks to be transparent with our stakeholders. **Physical Infrastructure** The Group monitors weather patterns to ensure conditions are suitable for our offshore employees and vessels. Onshore buildings and offshore vessels are designed to withstand the heat in the Arabian Peninsula region. **Environmental Impact** GMS aims to minimise its environmental impact by installing energy and water efficiency measures. We also ensure our machinery and engines are regularly maintained so they operate efficiently. **Long-term Planning** GMS has a proven track record in the renewables sector which provides versatility in our business model. Our vessels are built to be as flexible as possible to maximise utilisation. We are aware that we may need to consider changing sea levels and environmental legislation when replacing vessels that are being retired in the long term.

Emerging Risks

GMS operates an emerging risk framework as a tool for horizon scanning, with developments reported to the Audit and Risk Committee on a routine basis. Emerging risks are defined as a systemic issue or business practice that has either not previously been identified, has been identified but dormant for an extended period of time (five years); or has yet to arise to an area of concern. There is typically a high degree of uncertainty around the likelihood of occurrence, severity and/or timescales. Emerging risks are identified and/or monitored through internal debate by management and the Audit and Risk Committee, as well as discussions with key stakeholders (see the Group's Section 172 statement), industry-specific journals, and reviews of reporting published by peer companies.

Examples of emerging risks include unexpected changes in the demand for oil, technological advancements, monitoring of suppliers' performance, changes to tax landscape in regions GMS operates in and potential client insolvencies.

Key Performance Indicators (KPIs) serve as vital metrics for evaluating performance of the Group in relation to our strategic objectives. These KPIs comprise of financial and operational measures and each links to the four pillars of our strategic framework. Refer to the Glossary for the definition of each Alternative Performance Measure (APM).

Key

Revenue Maximisation

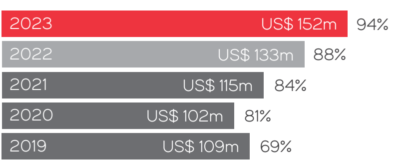
Cost Management

Working Capital Management

Control

KPI	Description	2023 Performance

Revenue and utilisation



% – SESV utilisation Bars – Revenue

Description

Revenue reflects the amounts recognised from operating activities with clients during the year. It is driven by charter day rates and utilisation levels.

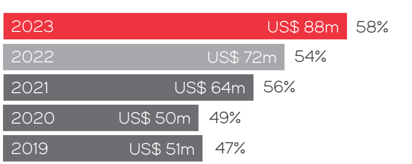
Utilisation is the percentage of days that our fleet of Self-Elevating Support Vessels (SESVs) are chartered on a day rate out of total calendar days.

2023 Performance

The Group demonstrated an improved financial performance leading to an increase in revenue by 14% which is attributed to increase in both utilisation and average day rates across the fleet.

Average utilisation was up six percentage points to reach 94% and the average day rates across the fleet increased to US$ 30.3k compared to the previous year's US$ 27.5k.

Adjusted EBITDA[1] and adjusted EBITDA Margin[2]



% – Adjusted EBITDA Margin Bars – Adjusted EBITDA

Description

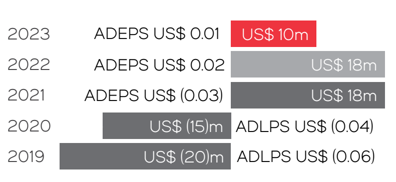
Adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation), excluding exceptional items and non-cash transactions such as impairments or reversal of impairments. It is a key measure of the underlying profitability of GMS' operations.

Adjusted EBITDA margin demonstrates the Group's ability to convert revenue into profit.

2023 Performance

The improvement in revenue translated into an improved adjusted EBITDA of US$ 87.5 million. This exceeded both our initial guidance range of US$ 75 million to US$ 83 million, as well as surpassing the revised guidance of US$ 86 million. The adjusted EBITDA margin has also increased to 58% (2022: 54%).

Adjusted profit and adjusted DLPS/DEPS[3]



Numbers – Adjusted DLPS/DEPS
Bars – Adjusted profit/loss

Description

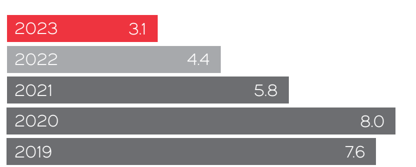
Adjusted profit or loss measures the net profitability of the business adjusted for exceptional items and non-cash transactions such as impairment.

Adjusted DEPS means fully diluted earnings per share and adjusted DLPS means diluted loss per share, which measures the level of net profit/loss, including adjusting items, per ordinary share outstanding.

2023 Performance

Adjusted profit was US$ 9.8 million (2022: US$ 17.6 million). The decrease reflects higher finance expenses by US$ 13.8 million due to increase in interest rates and higher impact of changes in fair value of derivative by US$ 8.6 million.

Net bank debt[4] to adjusted EBITDA



Description

Net debt to adjusted EBITDA is the ratio of net debt at year end to earnings before interest, tax, depreciation and amortisation, excluding adjusting items (see Glossary for details), as reported under the terms of our bank facility agreement.

Maintaining this covenant below levels set out in the Group's bank facilities is necessary to avoid an event of default.

2023 Performance

As a result of our commitment to deleveraging, the net leverage ratio on 31 December 2023 was reduced to 3.05 times (31 December 2022: 4.4 times), driven by a reduction in the net debt to US$ 267.3 million (31 December 2022: US$ 315.8 million) combined with improved EBITDA for the year.

See Glossary.

1 Represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges or deducting reversal of impairment. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 31 to the consolidated financial statements.

2 Represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

KPI	Description	2023 Performance

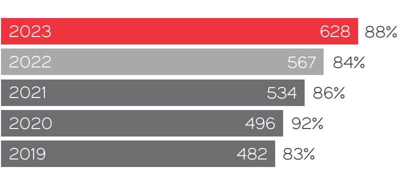
Backlog

The backlog figures shown above are as at 1 April.

Backlog shows the total order book of contracts (comprising firm and option periods) at the relevant date. This is a leading indicator of future revenue and utilisation levels.

Backlog increased in the year driven by new long-term contracts secured, partially offset by the unwinding of existing long-term contracts.

Average FTE retention (Onshore and Offshore)



% – Employee retention
Bars – Average FTEs

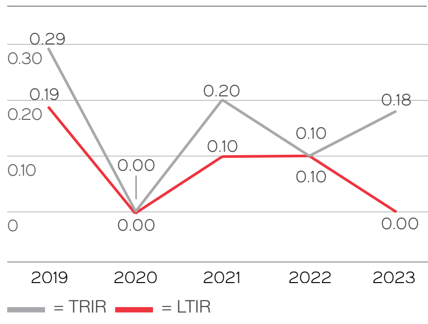
Employee retention shows the percentage of staff who continued to be employees in the year. The percentages shown do not take into account retirements or redundancies.

Average FTEs (Full Time Equivalent employees) throughout the year provides an indication of the Group's service capacity, scale of operations, and manpower cost base.

Group staff retention increased to 88% from 84% reported in 2022.

Average onshore FTEs over the year have increased to 59 from 55 reported in 2022. While for offshore FTEs, the average number throughout the year increased from 511 in 2022 to 569. The total Group headcount increased from 594 at 31 December 2022 to 660 at 31 December 2023, which was driven by increased utilisation of our vessels, which required an increase in recruitment of offshore FTEs.

TRIR and LTIR



TRIR is the Total Recordable Injury Rate per 200,000 man hours, which provides a measure of the frequency of recordable injuries.

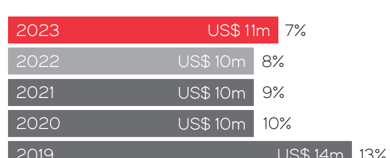
LTIR is the Lost Time Injury Rate per 200,000 man hours which is a measure of the frequency of injuries requiring employee absence from work for a period of one or more days.

Offshore man hours are calculated based on a 12-hour working period per day.

The Group improved its LTIR going from 0.1 in 2022 to zero in 2023 as there was no Lost Time Injury incident.

However, two medical treatment cases were recorded taking the TRIR from 0.10 in 2022 to 0.18 in 2023.

Underlying G&A[5] as percentage of revenue

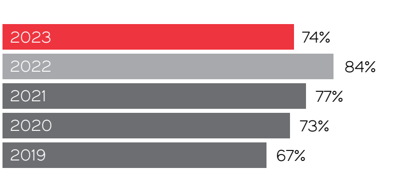


Underlying General and Administrative (G&A) expenses excluding depreciation and amortisation, and exceptional costs.
% – G&A to revenue
Bars – Underlying G&A

The underlying G&A to revenue expense ratio compares revenue to the amount of expenses incurred in onshore support operations.

The underlying G&A has slightly increased from US$ 10.4 million in 2022 to US$ 10.7 million in 2023. However, underlying G&A as percentage of revenue has decreased from 8% in 2022 to 7% in 2023.

Secured utilisation at 1 January after each reporting date



Secured utilisation at 1 January represents the level of secured contracts we have in place for the year ahead across our fleet of vessels. The position is as at 1 January after each reporting date and is an important indicator to management and the Board of the risks to delivery of the business plan. The higher the level of secured work, the less reliant the Group is on identifying and securing future contracts.

Secured utilisation has decreased by 10 percentage points compared to the prior year. The decrease is due to three K-Class vessel and one E-Class contracts coming to an end in 2024. These contracts are in the process of being renewed.

3 Represents the adjusted earnings/loss attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of warrants and LTIP's outstanding during the period. The adjusted earnings/loss attributable to equity shareholders of the Company is used for the purpose of basic gain/loss per share adjusted by adding back any exceptional costs, impairment charges or deducting reversal of impairment. This measure provides additional information regarding earnings per share attributable to the underlying activities of the business. A reconciliation of this measure is provided in Note 32 to the consolidated financial statements.

4 Represents total bank borrowings less cash.

5 Represents general and administrative expenses excluding depreciation and amortisation, and other exceptional costs. A reconciliation of this measure is provided in Note 31 to the financial statements.

	2023 US$m	2022 US$m	2021 US$m
Revenue	**151.6**	133.2	115.1
Gross profit	**102.8**	60.5	60.6
Adjusted EBITDA[1]	**87.5**	71.5	64.1
Net impairment reversal	**33.4**	7.8	15.0
Net profit for the year	**42.1**	25.4	31.2

Revenue and Segmental Profit/Loss

The Group posted 14% increase in revenue, reaching US$ 151.6 million compared to the previous year's US$ 133.2 million. This growth was a result of combination of an increase in both utilisation and average day rates.

Utilisation increased by six percentage points to 94% from the 2022 figure of 88%. This continues to be the highest level of utilisation achieved since 2014. Notable improvements in the utilisation rates were observed in the E-Class and K-Class vessels, reaching 92% (2022: 82%) and 95% (2022: 87%) respectively. S-Class vessels utilisation was slightly lower at 94% (2022: 97%).

Average day rates across the fleet increased by 10% to US$ 30.3k compared to the previous year's US$ 27.5k with improvements across all vessel classes, particularly for E-Class whereby, the day rates improved by 17% to US$ 41.4k (2022: US$ 35.4k). K-Class and S-Class rates increased by 7% and 5%, respectively.

The United Arab Emirates (UAE), Qatar and Saudi Arabia combined region continue to be the largest geographical market representing 91% (2022: 89%) of total revenue. The remaining 9% (2022: 11%) of revenue was earned from the renewables market in Europe.

The table below shows the contribution to revenue, gross profit and adjusted gross profit[2] made by each vessel class during the year.

	Revenue US$'000		Gross Profit US$'000		Adjusted gross profit US$'000	
Vessel Class	2023	2022	2023	2022	2023	2022
E-Class vessels	**60,955**	51,135	**43,070**	18,525	**26,730**	15,205
S-Class vessels	**35,018**	33,986	**21,327**	12,600	**16,865**	17,231
K-Class vessels	**55,630**	48,036	**38,440**	29,409	**25,814**	20,310
Total	**151,603**	133,157	**102,837**	60,534	**69,409**	52,746

Cost of Sales, Reversal of Impairment and Administrative Expenses

Cost of sales as a percentage of revenue decreased by five percentage points to 54% compared to 59% reported in 2022.

As a result of continued improved market conditions, an impairment assessment of the Group's fleet was conducted which resulted in a net impairment reversal of US$ 33.4 million (2022: net impairment reversal of US$ 7.8 million). Refer to Note 5 to the consolidated financial statements for further details.

Underlying general and administrative expenses[3] (which excludes depreciation, amortisation and other exceptional costs) reduced as a percentage of revenue to 7% in 2023 from 8% in 2022. Reported general and administrative expenses amounted to US$14.6 million, up from US$13.2 million in 2022, driven by increased staff costs and professional fees.

Adjusted EBITDA

The adjusted EBITDA increased to US$ 87.5 million (2022: US$ 71.5 million) which exceeded both our initial guidance range of US$ 75 million to US$ 83 million as well as surpassed the revised guidance of US$ 86 million. The increase reflects improvement in market conditions leading to higher utilisation and day rates.

The adjusted EBITDA margin has also increased to 58% (2022: 54%). Adjusted EBITDA is considered an appropriate and comparable measure showing underlying performance, that management are able to influence. Please refer to Note 31 to the consolidated financial statements and Glossary for further details.

1 Represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges or deducting reversal of impairment. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. A reconciliation of this measure is provided in note 31 to the financial statements.

2 Represents gross profit after deducting reversal of impairment/adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 31.

3 Represents general and administrative expenses excluding depreciation and amortisation, and other exceptional costs. A reconciliation of this measure is provided in Note 31 to the financial statements.

Finance Expense

Finance expenses increased to US$ 31.4 million (2022: US$ 17.7 million) which is mainly driven by an increase in LIBOR/SOFR rates. Further, 250 basis points of PIK interest costs were also applied and the margin rate on the loan increased from 3% to 4% for first quarter of the year which were triggered by the net leverage ratio exceeding 4.0 times as at 31 December 2022. On achieving a net leverage ratio below 4:1 times, PIK interest ceased to accrue in the second quarter of the year, and the margin was thereafter reduced by 90 basis points to 3.1%. This has resulted in reduction in cost of financing by 340 basis points. Attaining a net leverage ratio below 4:1 times was crucial, allowing us to limit the number of quarters we were charged a PIK interest to one quarter only. Key benefits of being below 4:1 times is it allows GMS to meet its covenants, to pay dividends and to cut some debt monitoring fees.

The accounting driven impact of changes in fair value of the derivative (the warrants issued to the lenders) increased to US$ 11.1 million (2022: US$ 2.5 million) in 2023, due to the increase in the share price of the Company. Company expects valuation charges over par value to get reversed when the warrants are either exercised or when they will expire, on 30 June 2025.

Earnings

Net profit for the year increased to US$ 42.1 million compared to US$ 25.4 million reported in 2022. The 65.7% increase in net profit was mainly driven by higher revenue and the reversal of impairments charged in the previous years. The increase was partially offset by an increase in finance expenses and the accounting impact of changes in the fair value of derivative (the warrants issued to the lenders) as explained above.

Capital Expenditure

The Group’s capital expenditure relating to drydocking and improvements of the vessels increased to US$ 11.3 million (2022: US$ 9.1 million).

Cash Flow and Liquidity

During the year, the Group delivered higher operating cash flows of US$ 94.4 million (2022: US$ 82.6 million). This increase is primarily from higher revenues generated during the year. The net cash outflow from investing activities increased to US$ 12.8 million (2022: US$ 6.3 million).

The Group’s net cash outflow from financing activities was US$ 85.2 million (2022: US$ 72.3 million) mainly comprising of repayments to the banks of US$ 56.2 million (2022: US$ 51.4 million) and interest paid of US$ 27.4 million (2022: US$ 17.5 million). The repayments towards the bank loan of US$ 56.2 million were almost double the Group's obligation to its lenders for 2023.

The Group has US$ 8.7 million of available resources comprising cash and cash equivalents at the reporting date. Further, it has an available working capital facility of US$ 15.0 million (2022: US$ 20.0 million) which can be utilised to draw down cash, of which US$ 2.0 million (2022: Nil) was utilised, leaving US$ 13.0 million (2022: US$ 20.0 million) available for drawdown. During the period, the working capital facility was reduced by US$ 5.0 million. The facility expires alongside the main debt facility in June 2025.

Balance Sheet

Total non-current assets at 31 December 2023 were US$ 621.0 million (2022: US$ 605.3 million), following a net impairment reversal of US$ 33.4 million (2022: US$ 7.8 million) on some of the Group’s vessels.

The total current liabilities increased to US$ 99.5 million from US$ 69.3 million in 2022, primarily due to higher scheduled repayments under the loan agreement for 2024. Additionally, trade payables and accrued expenses increased to US$ 13.2 million (2022: US$ 12.6 million) and US$ 16.1 million (2022: US$ 11.2 million), respectively.

The Group was in a net current liability position as of 31 December 2023, amounting to US$ 52.1 million (2022: US$ 15.8 million). Total current assets have decreased as receivables are converted into cash that was used to repay the debt. Management closely monitors the Group's liquidity position including focus on the forecasted short-term cash flows which would be sufficient to meet the Group’s current liabilities, including the current portion of the bank borrowings which represents the principal repayments due over the next 12 months. The loan prepayments were also made after ensuring that forecasted cash inflows are sufficient to meet the Group's short-term obligations.

Total non-current liabilities decreased as a result of reduction in bank borrowings. The increase in equity reflects the net profit achieved during the period.

Net Bank Debt and Borrowings

Net bank debt reduced to US$ 267.3 million (2022: US$ 315.8 million). This was a result of management's commitment to accelerate deleveraging. The Group repaid US$ 56.2 million (2022: US$ 51.4 million) towards its term loan, of which, US$ 26.2 million (2022: US$ 3.8 million) were over and above its contractual obligation for 2023. A total of US$ 33.7 million (2022: US$ 3.8 million) was prepaid during 2023.

Going Concern

The Group is in the process of refinancing its term facility in advance as the bullet payment becoming due in June 2025. Management's ongoing discussions with various lending entities are aimed at securing terms that align with our long-term strategic objectives, ensuring continued financial stability. Given the improved financial performance reported during 2023 and the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve during the assessment period. As such, we are optimistic about the outcome of these negotiations.

The Group's forecasts indicate that its anticipated refinanced debt facility will provide sufficient liquidity for its requirements for at least the next 12 months and accordingly, the consolidated financial statements for the Group have been prepared on the going concern basis. For further details please refer the Going Concern disclosure in Note 3 to the consolidated financial statements.

Related Party Transactions

During the year, there were related party transactions for catering services of US$ 0.6 million (2022: US$ 1.2 million), overhauling services of US$ 2.4 million (2022: US$ 1.9 million) and laboratory services of US$ 18k (2022: US$ 7k) with affiliates of Mazrui International LLC, the Group's second largest shareholder (25.6%).

All related party transactions disclosed herein have been conducted at arm's length and entered into after a competitive bidding process. This process ensures that the terms and conditions of such transactions are fair, reasonable, and comparable to those that would be available in similar transactions with unrelated third parties.

The Group is not allowed to have any transactions with its largest shareholder, Seafox International (29.99%) as agreed with Lenders. Further details can be found in the Directors Report on page 73 and Note 24 of the consolidated financial statements.

Adjusting Items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of performance. A reconciliation between the adjusted non-GAAP and statutory results is provided in Note 31 to the consolidated financial statements with further information provided in the Glossary.

Alex Aclimandos
Chief Financial Officer
03 April 2024

LONG-TERM VIABILITY STATEMENT

How We Assess Our Prospects

In assessing the Group's long-term prospects, the Directors regularly evaluate the key risks of the Group including the factors likely to affect the Group's future performance, financial position, cash flows, liquidity position and debt facilities. These assessments rely on established risk management procedures and involve analysing the Group's exposure to significant risks and uncertainties.

The Group's customers are principally involved in the exploration for and production of Oil and Gas and installation of windfarms. The Directors closely monitor its customers' operational plans and related capital expenditure programmes, particularly in the short term in which projects will be in progress and for which requirements for services from GMS will be more certain.

Assessment Period

In line with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have carried out a comprehensive review of the Group's prospects and its ability to fulfil its obligations over a three-year period, similar to the timeframe assessed in the 2022 long-term viability evaluation.
This period was selected with reference to the current backlog and business development pipeline, both of which offer limited visibility beyond this point, particularly in light of current macroeconomic volatility. Taking these factors into consideration, the Directors believe that a three-year forward-looking period, commencing on the date the annual accounts are approved by the Directors, is the appropriate length of time to reasonably assess the Group's viability. This assessment is based on management's reasonable expectations of the position and performance of the Group over this period, forecasts, and its planning timeframes.

The Group is in the process of refinancing its term facility in advance as the bullet payment becoming due in June 2025, i.e. within the long-term viability assessment period. Management's ongoing discussions with various lending entities are aimed at securing terms that align with our long-term strategic objectives, ensuring continued financial stability. Given the improved financial performance reported during 2023 and the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve during the assessment period. As a result, management is optimistic about the outcome of these negotiations and expect to complete the process on improved terms in later half of 2024.

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks. The Directors regularly review the principal risks to the business and assess the appropriate controls and the key mitigating actions used to address them. The Directors have further considered their potential impact within the context of the Group's viability. The risk assessment process, principal risks, and the actions being taken to manage or mitigate them, are explained in detail on pages 12 to 18 of this Annual Report.

Sensitivity Analysis

To assess the Group's viability, the Directors have performed analysis considering the following scenario:

- no work-to-win in 2024 and 2025;
- a 12%, 26% and 17% reduction in utilisation in 2024, 2025 and 2026 respectively;
- a reduction in day-rates of an E-Class and two S-Class vessels by 20% and 25% respectively after expiry of their currently secured contracts; and
- interest rate to remain at current levels instead of a forecasted decline of 25 basis points commencing second quarter of 2024.

Based on the above scenario, the Group would not be in breach of its current term loan facility. The downside case is considered to be severe but would still leave the Group in compliance with the covenants under the Group's banking facility until its maturity.

Reverse Stress Testing

In addition to the above downside sensitivity, the Directors have also conducted a reverse stress test, wherein EBITDA has been reduced to the extent of breaching the debt covenant. This scenario assumes a notable increase in operational downtime to 7%, which is in addition to the sensitivities applied in the downside case above. The 4.5% increase in operational downtime for FY24 would lead to a breach of the Finance Service Cover ratio as of 31 December 2024.

Given the recent performance of the Group, improved market conditions and strengthening of the demand for GMS vessels, above breach scenario is highly unlikely to occur. However, should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity. Potential mitigating actions include the vessels off hire for prolonged periods could be cold stacked to minimise operating costs on these vessels which has been factored into the downside case. Additional mitigations could be considered including but not limited to reduction in overhead costs, relaxation/ waiver from covenant compliance and rescheduling of repayments with lenders.

Management is aware of the broader operating context and acknowledges the potential impact of climate change on the Group's financial statements. However, it is anticipated that the effect of climate change will be negligible during the going concern assessment period.

Conclusion

Considering the Group's current position and its principal risks, the Directors have reasonable expectation for the Group to sustain operations and fulfil its obligations as they arise throughout the assessment period. The principal basis for this conclusion revolves around management's strategic focus on deleveraging existing bank obligations and securing refinancing for the balloon payment due in June 2025, which continues to remain a key priority.

Mansour Al Alami
Executive Chairman
03 April 2024

2023 TCFD & CFD Annual Report for Gulf Marine Services PLC

TCFD Overview

Executive Statement

"At GMS, we have acknowledged climate change as an emerging risk since 2019 and a principal risk since 2021. This is in recognition of the challenges it will pose to our business and the need for us to respond to this in our operations. In 2022, we set our targets for net-zero and developed our strategy for reaching them. Throughout 2023, we continued our work towards our commitments to reducing our environmental impact and limiting our contribution to climate change. COP28 this year was hosted close to home, and we were excited to follow and analyse the outcomes and future opportunities it brings to our business. We look forward to reporting back in 2024 on our further developments."

Mansour Al Alami
Executive Chairman

TCFD Compliance Statement

GMS has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures. The current regulations require reporting on a 'comply or explain' basis. This year, we have complied with all 11 of the recommendations. The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 require publicly quoted and large private companies to integrate climate disclosures into their annual reports. We have complied with the eight reporting disclosure requirements of Climate-related Financial Disclosure (CFD), details of which can be found below.

Table 1: GMS Compliance Statement

TCFD Recommendation	Climate-related Financial Disclosure	Compliance
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities.	(c) a description of the governance arrangements of the company in relation to assessing and managing climate-related risks and opportunities.	Compliant
b) Describe management's role in assessing and managing climate-related risks and opportunities.		Compliant
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	(d) a description of: (i) the principal climate-related risks and opportunities arising in connection with the operations of the company and, (ii) the time periods by reference to which those risks and opportunities are assessed.	Compliant
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	(e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company.	Compliant
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	(f) an analysis of the resilience of the business model and strategy of the company, taking into consideration of different climate-related scenarios.	Compliant

TCFD Recommendation	Climate-related Financial Disclosure	Compliance
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks.	(d) a description of how the company identifies, assesses, and manages climate-related risks and opportunities.	Compliant
b) Describe the organisation's processes for managing climate-related risks.		Compliant
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	(e) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company.	Compliant
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with the strategy and risk management process.	(d) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	Compliant
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks.		Compliant
c) Describe the targets used to manage climate-related risks and opportunities and performance against targets.	(e) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and performance against those targets.	Compliant

Introduction – About TCFD

TCFD provides a framework for assessing and reporting how climate change will impact our business. Its recommendations are divided into four areas, aligned with existing business processes (governance, strategy, risk management, and metrics and targets). We welcome the introduction of LR 9.8.6(8) R, which requires premium companies like GMS to include TCFD statements in their annual reports. It provides a structure to assess and report our climate-related risks.

As a business focused on supporting various offshore operations, we are aware of our impact on the environment and the potential risks of climate change to our operations. We believe we have a responsibility to ensure a sustainable future. We are constantly researching opportunities to reduce our impact on the environment. In 2022, we calculated our Scope 3 emissions for the first time, which are those associated with our value chain. Based on those findings, in 2022, we set a net-zero[1] target of 2050 and interim targets to guide our progress. In 2023, we are proud to be making progress against these targets, which are outlined in the Metrics and Targets section of the report.

Governance

Overview

The effective identification, management and mitigation of business risks and opportunities are essential to successfully delivering the Group's strategic objectives. A risk management system is in place to support the identification, analysis, evaluation, mitigation and ongoing monitoring of risks, as shown in the framework below. The Group recognises that as part of our long-term business strategy, we need to operate responsibly. Therefore, climate change is an area of interest for the Board, Senior Management and GMS stakeholders. It was recognised as an emerging risk in 2019 and classified as a principal risk in 2021. The Board has seven principal meetings per year, and risk management and the key risks facing the Group are discussed at each of these meetings. Environmental, social and governance (ESG), including climate change, is a specific agenda item for the December Board meeting each year. Following through on the potential risks that climate change can pose to our business, we review and evaluate the levels of potential impacts on an annual basis. Our overall climate-related risks are assessed as low likelihood and low impact. We do not believe climate change will impact demand for our vessels in the near term.

This is because demand for oil and gas production in the Group's core market of the Arabian Peninsula region is forecasted to continue. However, should demand change, we can mobilise more of the fleet to offshore renewables without significant additional capital expenditure. We aim to ensure that we are aware of future developments in the potential risks and opportunities posed by climate change. Hence, we have designated it a principal risk. We have used the TCFD recommendations to improve our assessment of climate-related risks and guide our reporting on the findings. This financial year, we have conducted our third climate-scenario analysis, to review any recent changes in the risk levels and expand our understanding of our supply chain risks.

Overall responsibility for risk management lies with the Board, supported by the Audit and Risk Committee. Our Senior Management team assists in implementing the risk management process, including risk identification, management and mitigation. This is all overseen by the internal audit function. Climate change, as a principal risk, is integrated into each stage of this process.

Figure 1: Risk Management Structure Within GMS

Board of Directors
The Board has overall responsibility for the Group's strategy and ensuring effective risk management.

The Audit and Risk Committee
Responsibilities include reviewing the Group's internal control and risk management systems as well as monitoring the effectiveness of the Group's internal audit function.

Senior Management
The Senior Management team implements the risk management process from risk identification to management and mitigation.

Internal Audit
There are clear reporting lines from the internal audit function to the Audit and Risk Committee and the Senior Management team.

The Board's Oversight

The Board has overall responsibility for ensuring that risks are effectively managed. ESG topics, including climate change, are included in the regular risk assessment procedure. The Board reviews the risk profile formally on an annual basis and monitors and oversees progress against goals and targets for addressing climate-related issues. Each year, the latest updates to the climate scenario analysis and climate-related risk assessment are presented to the Board in a workshop session. The session also aims to continue to build the Board's climate-related competence.

Board Committees

Risk and Audit Committee

The Audit and Risk Committee consists of at least two independent non-executive Directors, of which one is appointed as Chair. It meets at least twice a year, at appropriate times in the Company's financial reporting and audit cycle. Also, it communicates (as needed) throughout the year with key individuals involved in the Company's governance, including the Executive Chairman, the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit.

The Board is assisted in its responsibility for reviewing the effectiveness of the Group's system of internal control and procedures by the Audit and Risk Committee.

The Audit and Risk Committee receives reports from external advisors (as required) to ensure sufficient insight into the relevant issues to enable it to discharge its duties. An external consultant has been engaged to provide guidance on climate-related risks and conduct climate-scenario analysis. This information is considered when developing the Company's strategy and risk management policies and while setting budgets. The Financial Controller reviews the risk register and feeds it back to the Audit and Risk Committee.

Remuneration Committee

The Remuneration Committee consists of at least two independent non-executive Directors, of which one is appointed as Chair. The Committee meets at least twice a year and at other times, as required. It is responsible for designing remuneration policies and practices for the Company's Chair, executive Directors, Company Secretary and senior executives. The remuneration plan must support the Company's long-term strategy, purpose, and values.

The Committee considers corporate performance on ESG issues when setting the executive Directors' remuneration. The Committee ensures that the incentive structure for Senior Management does not raise ESG risks by inadvertently motivating irresponsible behaviour. Whilst there are currently no direct links between Board remuneration and meeting our climate strategy or targets, we will revisit the possibility of adding climate strategy and targets as part of the remuneration process in the next two reporting years.

Senior Management's Role

The Senior Management team comprises the Executive Chairman, Chief Financial Officer, Business Development & Commercial Director, Head of HSE & Quality, Director Operations and Chief Shared Services Officer. Together, they are responsible for identifying, managing and mitigating potential risks, including those associated with climate change and the transition to a low-carbon economy. The Senior Management team discusses climate-related issues a minimum of twice a year where climate change is an agenda item and routinely throughout the year as needed. The Senior Management team reports to the Board and the Risk and Audit Committee twice a year, with the main update prior to the Board's annual update meeting. The update consists of information about climate-related strategy updates, progress against set targets, an overview of the workshop agenda and plans for the upcoming financial year. It meets with the Executive Chairman at least twice a year to conduct risk management workshops.

Senior leadership is actively engaged with an external consultancy, to help guide climate-related agenda for GMS. They have participated in December's climate-risk workshop along with the Board of Directors.

This financial year, GMS full Scope 3 emissions have been calculated for the third time, allowing comparisons and measured progress tracking. Our Senior Management team will use this information to improve its understanding of GMS' GHG emissions, guided by the Head of HSE & Quality, who manages Health, Safety and the Environment (HSE). This will help monitor progress against our reduction targets and net-zero strategy and appropriately assess the Group's operational risk from climate change in line with climate-related scenarios.

1 The standard defines **net-zero** targets as emission reductions of at least 90% across all scopes before 2050 and only a very small number of residual emissions (up to 10%) can be neutralised with carbon removals.

Strategy

GMS wants to ensure the long-term sustainable success of the Company, which requires responding appropriately to all relevant risks and adapting our business strategy, as necessary. As the risks of climate change become more apparent and are of increasing interest to our stakeholders, we have developed how we assess climate-related risks. Climate change is considered as our principal risk and we have a separate climate risk register, which provides details on the 18 associated risks, guided by the TCFD recommendations.

Climate Scenario Analysis

To understand the climate change risks, both physical and transitional, we conduct an annual climate scenario analysis. Physical risks are those associated with the physical impacts of climate change, for example, increased average temperatures and rising sea levels. Transition risks arise from the shift to a lower carbon economy, including increased regulation, moving to lower emissions technology and changing consumer demands.

Climate scenario analysis uses possible representative futures, to model these potential impacts and the changes that will need to be made to limit global warming and reach net-zero. We have rerun the climate scenario analysis on our key sites and operations this financial year and have started to consider their financial impacts. Further financial modelling will be conducted during the next financial year, as we continue to research the medium and long-term actions in our net-zero strategy.

The Scenarios

Three warming pathways were modelled using data from several established models, including CORDEX (Coordinated Regional Climate Downscaling Experiment), CLIMADA (Climate Adaptation) and IAM (Integrated Assessment Models). The pathways represent a broad range of potential futures, to ensure that all risks are considered.

The climate scenarios used in the risk assessment process make projections on hypothetical futures and as such come with a degree of uncertainty. While most of the information is obtained from existing climate models which have a high degree of accuracy, there is still a level of uncertainty. As such, the results of the analysis should only be used as a guide for the climate-related risks and opportunities facing Gulf Marine Services. Ten climate indicators were modelled for each site and scenario, for example, precipitation, aridity, temperature and water stress. Outlined below are the three warming pathways.

<2°C by 2100: aligned with the Paris Agreement target of a maximum 1.5°C of warming above pre-Industrial levels. This scenario requires coordinated efforts by governments and businesses, to rapidly reduce carbon emissions through policy and operational changes, leading to high levels of transitional risks, but limited physical risks.

2–3°C by 2100: this scenario is envisaged as the outcome of reactive action from governments, with policies being introduced on an ad-hoc basis, whilst only the most committed businesses take serious action. It is associated with the highest level of transitional risks, due to the uncoordinated approach, and some physical risks.

>3°C by 2100: this scenario will occur if limited action is taken over the next few decades. Although, this limits the transitional risks, particularly in the short and medium term, it has the highest degree of physical risk, due to increased global temperature rise. Under this scenario, climate tipping points are projected to be breached, leading to irreversible damage to our planet.

The Time Horizons

The impacts of climate change expand beyond our traditional horizons of business planning. The UK and UAE have set a net-zero date of 2050, and climate modelling is often based on temperature changes by 2100. As a result, and to align with our net-zero strategy, we have decided to use the following time horizons to assess our climate-related risks and opportunities.

Table 2: Time Horizons Used for Climate Scenario Analysis

Short-term:	Medium-term:	Long-term:
2023–2027	2028–2037	2038–2052

The Results

Overall, the physical risk level is considered low for GMS' operations and buildings. As most of the Group's operations are already in extreme climate conditions, the infrastructure we own and use has been built accordingly. Our office buildings in the Arabian Peninsula region are already exposed to temperatures above 40°C for consecutive days. Therefore, the region's infrastructure design and our working schedules consider these extreme weather conditions.

Our risk management process classifies risks with an overall rating of red, amber or green based on a combination of the inherent risk and the control rating. Across all timelines and scenarios, no red ratings were assigned to climate-related transition risks. Most transition risks were determined to have a green rating. The number of risks rated significant increases over time, with tables 4 to 7 below presenting the scenario and timeline in which a significant rating is assigned. All physical risks were assigned a green risk rating.

Table 3: Risk Rating Criteria

Likelihood Factor	Rating	Impact Factor	Rating	Control Effectiveness	Rating
Almost Certain	5	Major	5	Very Good	5
Likely	4	Significant	4	Good	4
Possible	3	Moderate	3	Satisfactory	3
Unlikely	2	Minor	2	Weak	2
Rare	1	Insignificant	1	Unsatisfactory	1
Inherent risks					
Green – Inherent risk is equal to or lower than 9, regardless of the control rating.					
Amber – Inherent risk is greater than 9 but Controls are either 4 or above, qualifies as material.					
Red – Inherent risk is greater than 9 and Controls are 3 or below, qualifies as material.					

The steps we have taken to identify and manage each climate-related issue have been based on our existing risk management framework to ensure a consistent and efficient assessment and categorisation. Each climate-related issue is classified using our rating system. Our process ranks risks initially by their likelihood, then, each issue is ranked according to its impacts on GMS to determine an inherent risk score. We then rank each issue against our control effectiveness to determine the overall risk value. Risks scored with an overall score of greater than 9 are deemed as material.

The findings of the updated climate scenario analysis were presented to key GMS staff and the Board in December 2023. As this was the third year of running this workshop, it included a discussion of how the risks were impacted by changes at GMS, within the broader macroeconomic landscape and by updates to the underlying data sets. Each risk was discussed to determine whether the impact and likelihood ratings needed amending. It was decided that no updates were needed from the 2022 ratings, as there had been no material changes in the past financial year.

Transition Risks – Policy & Legal

Table 4. Policy & Legal risks with a description, the Timeline and Scenario of Highest Impact and Our Response

Risk	Description	Scenario	Our Response
Enhanced emissions reporting obligations	As a premium listed company on the London Stock Exchange, with operations primarily in the Arabian Peninsula region, GMS is subject to UK and UAE climate change and environmental reporting regulations. Changes to policy and reporting requirements are almost certain to occur in the short term with the UK committing to net-zero by 2050. However, only one of the Group's vessels is currently located in Europe, which means that the potential operational/ financial impact of such changes would be limited to Moderate. In the short term, fewer climate-related policy obligations are anticipated for operations in the Arabian Peninsula region sites (as compared to the UK reporting regulations noted above); however, the UAE has its own 2050 net-zero target. Therefore, the potential likelihood of this risk is deemed to be lower (possible as compared to almost certain). However, if such policies and increased regulations were to be introduced over a longer period, the concentration of GMS' fleet in the Arabian Peninsula region would result in a higher (Significant) potential impact.	<2ºC, 2–3°C Short, Medium 2023 Risk rating – amber	The Group aims to mitigate this risk by carefully monitoring legislative developments to minimise non-compliance with all relevant laws in the UK and the Arabian Peninsula region. Our Annual Report includes all the legally required information. We provide additional updates on our website as appropriate. There is potential for increased mandates and regulation of our existing products and services. In the long term, this is expected to be associated with the carbon emissions of our vessels. More detail on this is provided in Table 7 below. **Financial impact:** Increased opex. There are costs associated with this compliance, including engaging external specialists internal resources, and potential penalties if regulations are not followed. Non-compliance could result in fines of a minimum of £2,500 and a maximum of £50,000. These costs have been assessed and factored into the budget, which is currently considered negligible. A central database is maintained to document our legally required and regulated policies and procedures. We are ISO 14001 certified, which provides a framework for managing the environmental legislation that applies to our operations.
Exposure to carbon pricing	In the short term, this risk is unlikely and would have a minor impact. In the longer term, the impact would be minor in the 2–3°C scenario. However, this risk could be more likely and have a greater impact in the medium term. It is likely that in a <2°C scenario, carbon pricing and taxes could be introduced in the short term, and the potential cost impacts could be moderate to significant.	2–3ºC Medium 2023 Risk rating – amber	There is no indication that carbon pricing will be introduced, which would affect GMS' operations in the short term. In the interim, we have developed our net-zero strategy, which will reduce our carbon emissions and minimise the impact should a carbon tax be introduced. Changes in tax legislation will be closely monitored, and internal models can be used to factor this into the business strategy. **Financial impact:** increased capex and opex. Based on our 2023 Scope 1 emissions, our net-zero target and current projections for global carbon prices per tCO_2e, a carbon tax could have various financial impact ranges; please see the table below. This is based on data from The World Bank, NGFS, IPCC, OECD and Reuters.

Scenario	2027 (£)	2037 (£)	2052 (£)
Proactive	1,875,301	1,531,786	–
Reactive	605,172	3,784,860	–
Inactive	692,417	981,942	1,252,694

Transition Risks – Reputation

As part of our vision of being the best self-elevating support vessel (SESV) operator in the world, it is important that GMS is seen to be acting responsibly and contributing to a sustainable future. We are aware that a suitable response to the challenges of climate change is increasingly important to our investors and shareholders. We believe that through our TCFD reporting and net-zero strategy, we are responding to this area of risk by proving our commitment to responding appropriately to climate change.

Table 5. Reputation Risks with a Description, the Timeline and Scenario of Highest Impact and Our Response

Risk	Description	Scenario	Our Response
Increased stakeholder concern	In the short term, increased stakeholder concern may be seen, including from employees who may start to take company environmental action and preparedness into account. This could impact the Group's revenue and employee retention. This concern would be greater in a <2°C scenario, where there is greater awareness and more action required. It would be lower in a 2–3°C scenario, where action is being taken sporadically.	<2°C, 2–3°C Short, Medium Risk rating – amber	The Group's workforce requirement is concentrated in its core market of the Arabian Peninsula region, which is currently reliant on and supported by the oil and gas industry. It is expected to remain so in the near future. GMS does not anticipate struggling to retain suitably experienced and qualified staff. We are committed to acting responsibly towards the environment, as demonstrated by our net-zero targets and strategy. This will help mitigate this risk by showing that we are a proactive company in regard to climate change and environmental responsibility. **Financial impact:** reduced revenue, cost to recruit new employees if there is increased turnover.
Shifts in consumer preferences	As climate change becomes increasingly important and urgent, it will impact investment decisions. This is especially important following the outcomes of COP28, as we expect the general sentiment towards environmental and climate change matters to become more prominent. This could impact future access to capital for businesses that do not respond appropriately.	<2°C, 2–3°C Short, Medium Risk rating – amber	There is increasing concern over fossil fuel use in the UK/EU, although demand for oil and gas is predicted to grow. As a result, new investors may become more challenging to find. However, current shareholders are heavily invested in the Company's existing strategy and business model. Therefore, the likelihood of a significant impact is only considered possible in the short term under the most optimistic scenario (<2°C), which is not currently in line with the UAE's approach. **Financial impact:** reduced ability to raise capital.
Stigmatisation of sector	Increased climate concerns can lead to the stigmatisation of certain sectors and industries.	<2°C, 2–3°C Short, Medium Risk rating – amber	This risk would significantly impact the business if realised, but we do not expect to experience an impact on demand for or production of oil and gas in the Arabian Peninsula region within the short to medium term. The amber rating is first given in the medium term for the <2°C scenario, which is not the current trajectory for the Arabian Peninsula region. **Financial impact:** reduced revenue from decreased demand for services. Climate opportunities, for example, using our vessels for the maintenance of offshore renewable projects, offer versatility and resilience to our business model.

Transition Risks – Market

Transitioning to a net-zero economy will require changes to the products and services sold globally. This poses risks and opportunities for businesses. The main risk is the potential impact on the supply and demand for our services and changes in our supply chain.

Table 6. Market Risks with a Description, the Timeline and Scenario of Highest Impact and Our Response

Risk	Description	Scenario	Our Response
Changing customer behaviour	In a <2°C scenario, where urgent action is being taken, it is possible that there could be changing customer preferences resulting in reduced demand for goods and services. This could have a significant impact in the medium term.	<2–3°C Medium Risk rating – amber	The Group will continue to monitor any shift in consumer demand across the regions in which it operates. However, oil and gas have always been the mainstay of our business. It is only considered possible for a significant impact to be felt in a <2°C scenario, which is not currently considered in the UAE. Globally, the Westwood Global Energy Group report predicts an increase in demand for oil and gas over the next 40 years, including in the Group's core markets. However, the Group is aware that the UAE, along with many other governments, has set a net-zero target and, in the long term, will need to make changes to meet these targets. GMS has a proven track record in the renewables sector and an ongoing presence in Europe for offshore wind projects. This provides versatility in our business model, and vessels are suitable for use in this sector without major additional capital expenditure. We are on a six-year contract for one of our vessels on a renewables project in Europe. We are researching a business management system that can support us in identifying potential areas for financial loss and help us adapt if our strategy needs to change. **Financial impact:** reduced revenue. Given the concentration of revenue in National Oil Companies in the Arabian Peninsula region, the impact could be significant if materialised.
Increased cost of raw materials	Climate policies could lead to additional abrupt and unexpected shifts in energy costs.	<2–3°C Medium Risk rating – amber	This is considered a low risk, with only minor financial impact for the Group, as our clients pay for the fuel costs. However, we are always working to improve the efficiency of our vessels to meet our clients' expectations, as they expect value for money in the services they receive. **Financial impact:** increased operating costs for clients.

Transition Risks – Technology

Table 7. Technology Risks with a Description, the Timeline and Scenario of Highest Impact and Our Response

Risk	Description	Scenario	Our Response
Costs to transition to lower emissions technology	A requirement to transition to lower emissions technology is possible in the medium term, under a <2°C scenario, which could be associated with additional costs for GMS. The impact would be the same in a 2–3°C scenario, but this is considered unlikely. The likelihood of this risk will increase over time.	<2°C, 2–3°C Short, Medium Risk rating – amber	Existing vessels will likely need to be retired or will have fully depreciated across their remaining useful life before we are required to replace them with greener options. These routine replacements are factored into our budget and strategy. Therefore, we do not consider that vessel replacement costs will significantly impact our business at this point. This risk is higher in Europe, where we currently have one vessel and is considered lower in the Group's core market of the Arabian Peninsula region. However, in the 2024 financial period, we will research the options for replacement vessels using lower-carbon fuels. If a feasible option is identified, we will replace our oldest vessel with a low-carbon alternative in 2030. Planning for net-zero, will help to minimise these risks, as these costs can be factored into our long-term business plan. **Financial impact:** increased capex.

Physical Risks

All the physical risks considered have been assigned a green rating due to our existing controls. Therefore, the impact is expected to be low. Although physical impacts are expected from climate change, our offices and most vessels are in the Arabian Peninsula region, which adapted to an extreme climate with high temperatures, low precipitation, and high water stress. Infrastructure and workers' rights regulations have been designed to manage these risks. The climate scenario analysis suggests that more frequent sandstorms will occur due to increased temperatures and decreased precipitation. Our vessels are prepared for sandstorms with specialised filtration devices that reduce the risk of sediment damaging the vessels' engines. Decreased precipitation will exacerbate water stress in the region. Our vessels are equipped with desalination equipment to mitigate water stress. We are trialling machinery which can extract water from the air.

Climate-related Opportunities

Responding to climate change offers two major opportunities to GMS. From an operational perspective, improving our efficiency reduces our operating costs, improves our resilience to potential new laws around energy use and carbon emissions and demonstrates our commitment to being a sustainable business. In terms of business strategy, there is the opportunity to mobilise more vessels in the renewables sector. We already have a proven track record in this area and are keen to maintain an ongoing presence in Europe, to enable us to continue accepting offshore wind farm contracts. Currently, the GMS financial value associated with climate-related opportunities is 9.5% of our 2023 revenue (10.8% of 2022 revenue) as services provided to the renewable energy sector.

Engaging with Our Clients and Supply Chain

To manage our climate-related risks and reduce our carbon emissions, we need to engage with our clients and supply chain. We will be introducing additional social and environmental screening criteria for our suppliers, which will be the responsibility of our Procurement Manager. In 2023, we started, and in 2024, we plan to continue engaging with our suppliers on their carbon footprint, asking whether they already collect data on their Scope 1, 2 and 3 emissions, which feed into our Scope 3 emissions, and then starting to work with them to reduce those emissions. Currently, ten of our top 30 suppliers have already published their emissions on their websites or using the annual CDP disclosure questionnaire.

This financial year, we have continued considering the risks associated with our suppliers directly and supply chain-associated risks in general. These cover three key areas: food, fuel and vessel parts. As part of our commitment to local sourcing and due to the in-country value schemes endorsed by our major clients, our top suppliers are all located in the Arabian Peninsula region. They are subject to similar transitional and physical risks as the Group. As with GMS, they are already prepared to cope with extreme conditions and transitional risks are expected to be limited in the short to medium term.

Risk Management

Our Risk Management Approach

GMS has an established enterprise risk assessment process into which climate-related risk management has been integrated (see Risk Management section on page 12). Material risks identified in our climate risk register are integrated into the main risk register. This is in response to the increasing importance placed on climate change by the public, clients, investors and employees.

The first step in the risk management process is identifying and assessing risks, which is conducted through reviews by individual departments. Mitigating controls are then determined. In the case of climate-related risks, we have engaged with a third party to ensure a thorough and informed understanding of the potential risks and opportunities, guided by the TCFD framework.

Senior Management consolidates identified risks into an overall heatmap for principal risks. The Audit and Risk Committee review the risk profile at least quarterly. The Board discusses the Group's risk register at its principal meetings and formally reviews the risk profile annually.

The following steps were taken to assess climate-related risks through climate scenario analysis:

Step 1 – Identifying the Risks:
External specialists used climate scenario analysis in November 2023, for the third year in a row, to assess 14 potential transitional and four physical risks to the business over three climate warming pathways and three timelines. These were presented to Senior Management and the Board at the climate-risk workshop in December 2023 for their input on the potential size/scale of the risk/opportunity, which could impact the business operations and strategy.

Step 2 – Assessing the Risks:
These provisional risks were presented to relevant internal stakeholders, including the Chief Financial Officer. The provisional risks were presented at Group and site levels. Following our existing enterprise risk assessment process and drawing on the relevant expertise of Senior Management, each provisional climate-related risk and opportunity was allocated a likelihood and impact rating, which were combined to provide the inherent risk rating for each scenario and timeline.

Step 3 – Addressing the Risks:
Each potential risk is appraised to determine the current mitigation measures and the most appropriate approach for managing residual risk. A provisional control effectiveness rating was assigned. This was combined with the inherent risk rating to provide a provisional overall risk rating of Red, Amber or Green for each scenario and timeline. There were no changes to this assessment from last financial year's ratings. Therefore, there are still eight risks assigned an Amber rating in at least one scenario and timeline. Risk management workshops are held at least bi-annually between the Executive Chairman and the Senior Management team, where principal risks, including climate change, are assessed for impact and likelihood.

In 2022, we developed our net-zero targets and strategy, which will mitigate some of the policy, legal, reputation and technology risks identified. Our net-zero targets and progress against those targets also demonstrate to interested stakeholders that we are taking climate change seriously. The resulting strategy will allow us to plan for the transition to a low-carbon economy, especially around our business travel, vessels and fuel use.

Table 8: 2023 Progress Against Targets

Target	2021 Baseline Value	2023 Value	% Change	Comments
2025: engage with the top ten suppliers by spend on their carbon emissions and reporting.	Zero suppliers engaged.	One supplier engaged. Additionally, ten of our top 30 suppliers have emissions data published, either on their own websites, reporting or through CDP.	100%	Achieved
2030: assessing the feasibility of upgrading vessels' engines and other equipment, with lower carbon emission alternatives. This will form an important part of our long-term strategy, as it is essential to reducing our Scope 1 emissions (those associated directly with our operations, primarily vessel fuel)	No feasibility assessment under-taken.	Work has begun to assess the feasibility of novel energy system jack-up barges.	14%	In progress
2035: net-zero in absolute Scope 3 emissions from 1: Purchased goods and services, 4: Upstream transport and distribution, 5: Waste generated in operations, 6: Business travel, 7: Employee commuting and 8: Upstream leased assets.	22,959 tCO_2e	9,015 tCO_2e	-60.7% Driven by a large decrease in our purchased goods and services and business travel emissions.	On Track A 2.4% annual reduction is needed going forward.
2050: net-zero emissions in absolute Scope 1 and Scope 3 (2: capital goods and 3: fuel-related emissions)	58,114 tCO_2e	68,378 tCO_2e	+17.6% Due to a 15.5% increase in fuel consumed by our vessels.	Off Track We will continue to focus on our 2030 target of low-emission vessels to tackle these emissions. A 4.0% annual reduction is needed.

Metrics and Targets

We acknowledge that we have a responsibility to reduce our environmental impact as far as possible, while delivering sustainable business growth. We have been measuring our Scope 1 and 2 emissions since 2014 and our Scope 3 emissions since 2021. Therefore, we selected financial year 2021 as our base year for our emission reduction targets, as this was the first year of our full emissions footprint. Our near-term and net-zero targets were approved by our Board in December 2022, and the progress against each of them is outlined in Table 8. Our ultimate net-zero deadline of 2050 is in line with the national targets of the UK, UAE and Qatar. Achieving net-zero requires us to reduce our CO_2e emissions by 90% or more from our baseline year of 2021, offsetting the remaining 10% in our net-zero year.

Our Scope 2 emissions account for 0.04% of total emissions and are considered de-minimis. Therefore, Scope 2 emissions have been excluded from these net-zero targets. Each year, we aim to improve the quality of our data collection to ensure our reporting is increasingly accurate. We acknowledge that sometimes this will increase the figures in some categories, and we will explain these in our reporting, as required. We believe this transparency is an important part of being a responsible business.

Carbon Emissions

In compliance with the UK Government's Streamlined Energy and Carbon Reporting, we have included our emission figures, energy usage and intensity metrics for this reporting year. GMS provided relevant data to a third party which used this data to calculate our Scope 1, 2 and 3 emissions. No formal assurance was provided.

Scope 1 emissions result from the direct combustion of gaseous and transportation fuels during the reporting year. Scope 2 refers to the emissions associated with purchased electricity used in our offices. Scope 3 emissions are the indirect emissions associated with operating our business. Although we do not have direct control over these emissions, we are taking steps to work with our supply chain and employees to develop an emission reduction strategy.

Table 9: 2021, 2022 and 2023 Full Carbon Footprint (tCO_2e) and Progress since Our 2021 Baseline

Target	2023	2022	2021	Progress from 2021 Baseline
Scope 1	**54,396**	**51,860**	**47,247**	**>15.1%**
Scope 2 (location-based)	**26**	**28**	**31**	**<16.1%**
Total Scope 3	**22,996**	**26,205**	**33,827**	**<32.0%**
1. Purchased goods and services	4,811	6,088	11,970	<59.8%
2. Capital goods	2,264	1,141	687	>229.5%
3. Fuel-related Emissions	11,717	10,270	10,180	>15.1%
4. Upstream transportation and distribution	304	5,641	251	>21.1%
5. Waste generated in operations	1,271	667	654	>94.3%
6. Business travel	2,481	2,275	10,027	<75.3%
7. Employee commuting	136	124	57	>138.6%
8. Upstream leased assets	11	–	–	>100.0%
Total All Scopes	**77,418**	**78,093**	**81,105**	**<4.5%**

Scope 1 and 2 CO_2e emissions data has been calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Business Council for Sustainable Development and World Resources Institute, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019a); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019). Scope 3carbon emissions have been calculated in line with the GHG Protocol Corporate Value Chain (Scope 3) Reporting Standard. There is no data for categories 9-15, as these are not applicable to GMS. Category 8, upstream leased assets, became applicable in 2023, as we leased a small amount of shared office space in Qatar and Saudi Arabia. The large reduction in business travel emissions since the baseline is due to the removal of quarantine requirements for offshore staff due to COVID-19, which decreased the number of hotel nights. The large increase in capital goods in 2023, was due to an increase in capital expenditure.

Energy Usage and Carbon Intensity

We use average carbon intensity data (tCO_2e/$m revenue) to assess our performance against the Paris Agreement target. Our metrics use location-based Scope 2 emissions. UK energy use and emissions in 2022 and 2023 were zero.

Table 10: Our 2021–2023 Energy Usage and Carbon Intensity Metrics

Year	2023	2022	2021	Progress from 2021 Baseline
Scope 1 Energy Usage MWh	198,063	190,060	171,165	>15.7%
Scope 2 Energy Usage MWh	63	67	72	<12.0%
Scope 1 and 2 tCO_2e/$m revenue	360.41	389.47	398.78	<9.6%
Scope 1, 2 and 3 tCO_2e/$m revenue	512.70	586.48	700.84	<26.8%

Efficiency Actions

We continually assess how to reduce energy use and the associated carbon emissions. This financial year, we have booked flights based on carbon emissions, choosing lower-carbon flights when prices are similar.

Waste

Waste management is important in minimising our environmental footprint and will contribute to our net-zero journey. Our waste strategy is centred around four principles: Reduction, Reuse & Recycle, Treatment and Disposal. Our vessels are fitted with separate waste bins for each type of recyclable material or disposal method, which ensures that we have detailed data on waste materials. Waste is then emptied and brought to shore, where it can be appropriately managed. It is securely stored before the treatment process, to ensure our waste does not degrade, spill or get stolen. Due to the nature of our operations, we produce oil waste. Our oil waste is not contaminated or mixed, to ensure it can be correctly treated and recycled. We send regular reports to the local governing bodies concerning the quality and quantity of oil waste and its treatment methods. Table 11 summarises our waste produced and the percentage sent for recycling. Although we prioritise reducing the volumes of waste produced on board our vessels, our customer's crew make up around 75% of the people on board, with our crew making up the remainder. Therefore, we are unable to set formal waste reduction targets as our influence on this is limited.

Table 11: A Breakdown of the Waste Types from Our Vessels and Offices during the Financial Year 2023

Metric	2023	2022	2021
Total waste produced (tonnes)	6,676	4,572	7,566
% of waste recycled	58.5%	1.0%	0.0%

Water

Water is the most important resource on the planet. We know that our workers must always have access to adequate, safe drinking water. The water on our vessels is either sourced from desalination or single-use plastic bottles. Most water used on board is for drinking or sanitation services. As our crew are working under extreme temperatures, we do not feel it is safe to set water reduction targets, since a plentiful supply of water and electrolytes are always needed to reduce the risk of heat stroke or illness.

Social

Values

Core values of Responsibility, Excellence and Relationships are incorporated into all aspects of the business. GMS is committed to ensuring the health and safety of its employees, subcontractors, clients and partners and to upholding high ethical standards.

Responsibility

GMS maintains a firm commitment to the health, safety, and environmental stewardship of all individuals and communities connected to our operations. We embed safety into everything we operate and maintain.

Our sense of duty extends across all business relationships – with employees, subcontractors, clients, partners, shareholders and beyond. We believe that diligently managing risks and caring for people are fundamental to creating sustainable, long-term value.

As we explore opportunities for growth, we remain guided by our foundational priorities of safety and collective welfare. We strive to deliver excellence while maintaining our responsibilities to the people we serve, the environments we protect, and the societies that grant us license to operate. Our commitments are ongoing and endured.

Excellence

At GMS, we pursue continuous improvement and innovation to better serve client needs. We build on past learnings and explore new ideas that can enhance delivery for our partners.

We hold ourselves to high performance standards that exceed expectations. We set ambitious targets around superior quality, value, and outcomes to challenge our organisation across all levels to deliver positive impacts for clients and stakeholders.

Our reputation for integrity and transparency underscores our business and guides our conduct. We operate rigorously and ethically to remain the preferred contractor for clients who value our commitments to sustainable quality.

As we explore avenues for future growth, we stay rooted to our core priorities of service excellence, stakeholder welfare, and a continued commitment to delivering value to our clients. These priorities have been instrumental in establishing GMS as a respected player in our sector. We work diligently to uphold and strengthen that foundation of trust.

Relationships

At GMS, our people drive our success. We aim to attract and retain top talent and empower employees to perform their duties safely and impactfully.

We champion diversity and provide environments where our team can thrive and realise their full potential. We reward excellence and integrity across all levels of our organisation.

Core values of Responsibility, Excellence and Collaborative Relationships anchor our culture and decision-making. We maintain an unwavering commitment to the health, safety, and ethical treatment of employees, subcontractors clients and partners.

Our people exemplify the spirit of world-class service, expertise and leadership that makes GMS a preferred partner. As we plan for the future, we will continue investing in our team's growth across technical skills, well-being and professional development. Our vision depends on unleashing their potential for long-term innovation.

GMS Organisation Structure

GMS maintains a robust yet agile organisational structure that positions us for sustained excellence. We have built a foundation of Core functions in Operations, Marine and Engineering, Maintenance and project delivery that directly steer our technical capabilities and performance.

Enabling support functions underpin and amplify these strengths by driving strategy, business development, procurement, finance and other essential expert services.

This structure strikes an optimal balance – sharpening our client delivery focus through Core forces, while enabling teams streamline the wider business. With seasoned leadership guiding strategy, our model fosters seamless collaboration to mobilise the right talent for new opportunities.

As markets evolve, GMS remains equipped for sustainable excellence. Our organisational foundations will drive growth through client-centric agility, operational discipline, unified vision, and governance rigor. Our structure serves as a robust platform ready for sustainable growth trajectories in the years ahead.

Turnover

Employee turnover decreased to 12% in 2023 from 16% in 2022. This decrease in the turnover trend underscores the success of various measures taken to retain talent such as competitive day rates for senior officers based on market benchmarking and opportunity for growth for high-performing employees.

Diversity

GMS boasts a global team of 660 personnel representing 34 countries (2022: 594 personnel representing 36 countries) – with diversity that fuels our innovation and connects us closer to the markets we serve. We leverage experience and specialised skills to responsibly expand our operational footprint.

The information on page 38 provides details of the gender diversity and country of origin of our personnel as of 31 December 2023.

GMS has a zero-tolerance toward discrimination either directly or indirectly on the grounds of gender, race, colour, nationality, ethnic or racial origins, marital status, religion or disability. GMS is an equal opportunities employer committed to seeking out and retaining the calibre of human talent that is strategically aligned with our business growth and performance. Our business success reflects the quality and skills of our people. Details of our Equal Opportunities Policy can be found in the Governance section of our website.

For cultural and legal reasons, the extent to which the number of offshore female personnel can be increased is limited. Local labour laws, for example, in the countries in which GMS currently operates in the Arabian Peninsula region, stipulate that women cannot work in an inappropriate environment and hazardous jobs/industries, meaning the Group is unable to employ them offshore. As the provisions of the UK Government's Equality Act 2010, relating to gender pay gap disclosure, are not applicable to GMS, this information has not been provided.

Employee Engagement and Welfare

Our 2023 engagement survey garnered an exceptional 91% participation rate. Results indicated strong workplace solidarity, with 99% agreeing they can stop unsafe work and 95% feeling empowered and valued in their roles. Another standout data point showed 99% confidence in our organisation's commitment to safety-first operations ensuring all personnel return home safe.

Key insights gained will inform our retention and professional growth programs. While 34% of respondents indicated they may explore external opportunities, we aim to expand internal mobility, upskilling and career development initiatives.

While participation levels signal strong workplace solidarity, closing experience gaps remains a priority. We strive to foster an environment where all team members feel invested in long-term personal success, enabling collective growth.

Events like our recent Abu Dhabi headquarters celebration, recognising employee milestones from 10-25 years of tenure, reinforce our united culture. They also highlight accomplished role models to inspire emerging talent. As our Company matures and longtime experts pass their torches, we are committed to developing the next generation of leaders equipped to guide our mission.

Performance

The Short-Term Incentive Plan (STIP) structure was redesigned during 2019 so that all participants, including executive Directors, are working towards the same transparent targets. There is no guaranteed variable pay awards at GMS, with all pay being performance-based. The 2023 STIP measures for employees are set out on page 68.

This aligns with shareholder interests and encourages a performance-based culture to achieve Group objectives.

Succession Planning

GMS strives to provide growth opportunities by promoting from within whenever possible. We have structured succession planning processes based on experience and capabilities to fill key roles with internal candidates first.

However, external recruitment is also utilised for highly specialised or volume hiring needs unsuitable for backfilling. All recruitment follows fair and ethical practices aligned with our values.

In 2023, 34 employees were promoted across levels, a slight decrease from 37 in prior year. This stabilisation comes after major pandemic-recovery scale-ups and indicates prudent pace.

Positively, 20% of onshore promotions granted last year advanced talented female staff into expanded responsibilities, signify efforts to uplift diversity are taking hold.

While external hiring fills key gaps, our priority is nurturing talent internally. We believe purposeful development not only rewards employee investments – it transforms individual growth into collective gains.

Learning and Development

GMS aims to ensure that all employees maintain the relevant technical and regulatory training required to fulfil their roles. As seafarers, all crew maintain their relevant STCW (Standards of Training, Certification and Watchkeeping – a worldwide convention that ensures a lateral standard of training is achieved across all countries in the world) qualifications that license them to operate the Group's vessels, in accordance with International Maritime Organisation requirements. For vessels operating within the offshore Oil & Gas sector, all crew also complete additional training in areas such as, but not limited to, offshore safety and awareness and emergency response.

Ethical Practice

The Group operates responsibly, in accordance with the formal legal and regulatory disclosure requirements expected of a UK listed company.

GMS' Code of Conduct sets out the basic rules of the Group. The Code's purpose is to ensure work is undertaken safely, ethically, efficiently, and within the laws of the countries in which GMS operates. All staff receive Code of Conduct training as part of their induction, and the Group's reputation and success are dependent on staff putting the Code into practice in all dealings with stakeholders.

GMS maintains an awareness of human rights issues, which is reflected in its suite of Group policies, including the Anti-Corruption and Bribery Policy, Anti-Slavery Policy, Social Responsibility Policy and Whistleblowing Policy. All onshore employees and offshore key personnel must complete annual trainings focused on ethical business practices mandatory for upholding our standards globally.

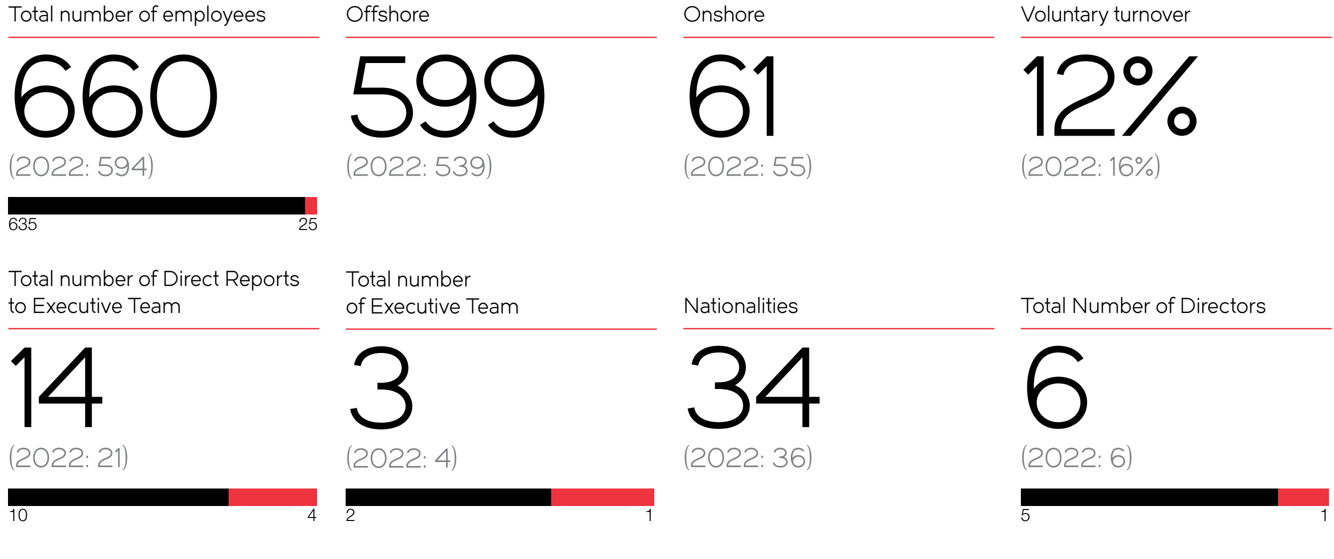
Whistleblowing Reporting Service

An independent reporting service for whistleblowing is in place. It operates confidentially, is available 24 hours a day and is staffed by highly skilled professional call handlers. This service:

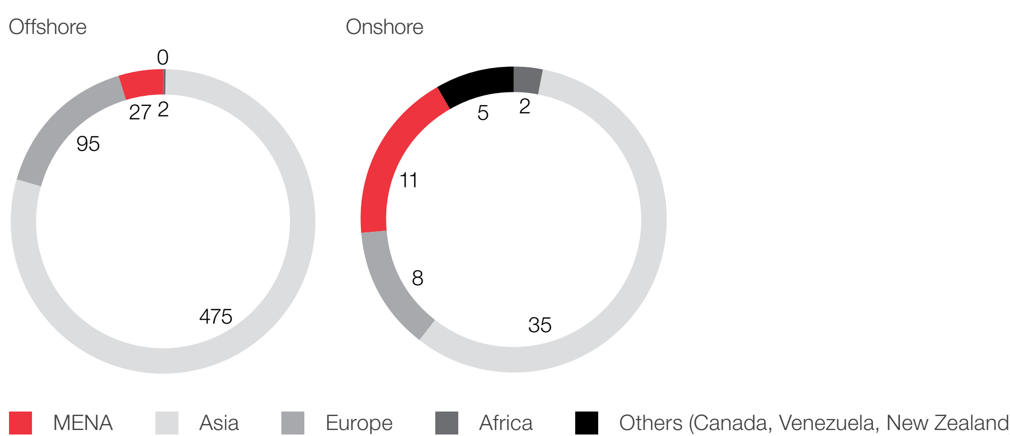
- gives a voice to employees, contractors, suppliers and supply chain and other stakeholders;
- helps maintain a culture of openness;
- demonstrates that GMS takes malpractice seriously;
- provides the Executive team with an overall temperature of the business; and
- supports employees who speak up.

The Whistleblowing Policy has a strict non-retaliation commitment to support any employees who speak up.

People as at 31 December 2023



GMS Employees – By Region Review – 2023



Health and Safety

The Group adheres to the highest international standards of health and safety in operating its vessels. Our Management Systems, which oversee all activities and operations of the Group, are voluntarily accredited to ISO 9001, ISO 14001, and ISO 45001. Additionally, all vessels operate in compliance with the International Safety Management (ISM) Code, meaning the International Management Code for the Safe Operation of Ships and for Pollution Prevention, which is a legal requirement.

Regular assessments of risks stemming from operations and activities are conducted to ensure the implementation of mitigation procedures, which are then communicated to all employees. Comprehensive training and employee engagement initiatives ensure that all employees are well-informed about operational risks. Annual training programs are developed and periodically reviewed to maintain efficacy.

The Group implemented a remote healthcare system for all of its offshore workforce in 2021, providing access to onshore doctors and mental health support 24/7.

In 2022, the Group implemented a Group-wide Marine Enterprise Resources Planning System to modernise and digitalise its vessel operations. The system integrates all aspects of vessel management through one web-based platform hosted on the cloud and accessed onshore and offshore. Management now has access to a centralised database used to enhance efficiency and improve decision-making.

In 2023, the Group implemented an online platform that delivered comprehensive safety awareness trainings directly to individuals on board the vessels, ensuring quick comprehension and immediate application. With this system, crew that is off rotation do not miss important and relevant safety updates that pertains to the Group when they are back to the vessel. This is achieved because the system acts as a repository of safety information, guaranteeing access to the latest safety information anytime and anywhere.

There were two medical treatment cases but no Lost Time Injuries. As a result, the Lost Time Injury rate improved from 0.1 in 2022 to zero in 2023. However, because of the other recordable injuries, our Total Recordable Injury Rate (TRIR) increased slightly from 0.1 in 2022 to 0.18 in 2023. These levels continue to be below industry average and in both cases, they maintained a downward trajectory when measured over the last five years. We continue to look at areas of improvements in our systems and processes and engaging our employees to ensure that our offshore operations continue to be as safe as possible in line with the expectations of our customers and stakeholders.

The information below is intended to provide an overview of the Health and Safety performance over the reporting period.

Number of work-related fatalities

0

(2022: 0)

Number of recordable work-related injuries

2

(2022: 1)

Number of high-consequence work-related injuries

2

(2022: 0)

Number of hours worked

2,378,216

(2022: 1,934,340)

Governance

For Governance related considerations, please refer to the Governance section of this Annual Report.

Performance Evaluation Framework for 2023

As approved by the Remuneration Committee, the following table outlines the key performance measures and their respective weightings in determining the overall performance of the Group for 2023.

Measure	Weighting	Performance Range (from zero to full pay-out)
EBITDA	30%	Less than US$ 75m – Greater than US$ 88.0m
EBITDA margin	15%	Less than 53% – Greater than 60%
Securing contract % of 2024 budget revenue	15%	Less than 60% – Greater than 85%
Securing contract % of 2025 budget revenue	15%	Less than 35% – Greater than 55%
Achieving Leverage <4.0 (25%)	25%	After 31 December 2023 – On or before 30 June 2023
Total	**100%**	

The following results highlight key performance measures and their respective outcomes.

1	EBITDA*	<US$ 75m	US$ 75m–US$ 85m	US$ 85.1m–US$ 88.0m
	Score	0%	0.1–24%*	24.1–30%*
2	EBITDA Margin*	<53%	53–57%	57.1–60.0%
	Score	0%	4.1- 12%*	12.1–15%*
3	Securing contracts % of 2024 budget revenue*	<60%	60–80%	80.1–85%
	Score	0%	0.1–12%*	12.1–15%*
4	Securing contracts % of 2025 budget revenue*	<35%	35–50%	50.1–55%
	Score	0%	0.1–12%*	12.1–15%*
5	Achieving Leverage < 4.0	After 31 December 2023	Between 1 July – 31 December 2023	On or Before 30 June 2023
	Score	0%	15–5%*	25%*

* Zero to full pay-out is not linear as bands operate within the performance ranges shown.

MSA
MaxiFlex
MSA
GMS
OFFSHORE CONTRACTOR

In my commentary featured in the Chairman's Review on page 2, I highlighted the success our business achieved in the past year. We witnessed year-over-year growth in revenues, utilisation, and day rates, reflecting the resilience and strength of our operations. Notably, we executed successful strategies to reduce our leverage ratio, reaffirming our unwavering commitment to deleverage and prioritise value for shareholders above all else. As a company, we have evolved into a more agile and adaptive entity, ensuring our continued relevance in the ever-changing landscape. This transformation positions us well for the future, where we remain dedicated to navigating challenges with versatility and delivering sustained value to our stakeholders.

The governance backdrop to this has been our ongoing focus on strategy, risk management and internal control. This process reflects the Board's continuing belief that sustained business success is achieved by good governance; that shareholder value benefits from internal and external transparency; and that the interests of all stakeholders are best served by ethical business practices. Whilst this has always been the approach taken by this Board, it is gratifying to see this now reflected in continuing improvement in financial performance.

The governance review in the pages that follow, including the reports of the Board and its Audit and Risk, Nomination and Remuneration Committees, summarise our work in these areas. Particular aspects in relation to the past year are set out below:

1. We appointed Haifa Al Mubarak to the Board as an additional independent non-executive Director. Haifa is based in the UAE and has extensive business experience in the Arabian Peninsula region. She was appointed following the retirement of Rashed Al Jarwan from the Board. Her appointment, which was on merit, comes as a first step towards building a gender diversified Board of Directors.

2. The diversity of the members of our Board, in terms of background skill sets, experience and geographic location ensures the right level of debate, challenge and encouragement for management in relation to Group's strategy after taking account of the important factors in this. It also allows the monitoring of that implementation in a way that enables adjustments to be made as and when appropriate.

3. We held a full two-day strategy meeting at the Group's headquarters in Abu Dhabi. This brought together the Board and Senior Management in a productive forum discussing longer-term plans for the business. It included presentations and discussion on each key aspect of the Group's operations, recent and future industry developments and ongoing and future strategic plans. The conclusions reached are helping inform our continual planning for the business with a focus on shareholder value and stakeholder interests.

4. We continued our engagement with stakeholders including employees, lenders and shareholders to understand their views and take these into account in the decisions we make. This sometimes requires us to balance the interests of different stakeholder groups to reach the most appropriate overall judgements. These judgements are reached only after taking account of all relevant factors with the aim of promoting success of the Group in the way that enhances stakeholder interests on an ongoing basis.

5. The Audit and Risk Committee oversaw the Group's 2022 annual accounts and audit of these, the first following appointment of KPMG as the Group's new auditors following an audit tender. This achieved both an improved process and earlier reporting of the Group's annual results and annual report. Learnings from this process have been incorporated in the work on the 2023 annual accounts and audit such that the Group has been able to finalise and publish its annual results earlier again and enable plans to be made to move to quarterly reporting in the second half of 2024. I would like to thank Jyrki Koskelo as Chair of the Committee, along with Alex Aclimandos as our Chief Financial Officer and KPMG as our external auditors together with their teams. A summary of this Committee's work commences on page 51.

6. Our Remuneration Committee oversaw a transition in remuneration in the Group from payment of no bonuses in respect of 2022 (due to the imperative of achieving our leverage target) and the lapse of the 2022 Long Term Incentive Plan (LTIP) awards due to the leverage underpin not having been achieved to a position where bonus payments have been awarded for the 2023 financial year. The Committee decided to defer further awards of LTIPs until these could again be seen as valuable incentives by participants in general and intends to consider such awards again later this year. A summary of the Committee's work commences on page 57.

7. The Nomination Committee led the recruitment of an additional independent non-executive Director which resulted in the appointment of Haifa Al Mubarak to the Board. This followed a process of consideration of a number of candidates based on agreed search criteria. It also included interviews with all members of the Nomination Committee including a face-to-face meeting in London with the Senior Independent non-executive Director and Company Secretary. The Committee also reviewed the Senior Management team and developments within this.

8. The Board concluded that I should remain in the role of Executive Chairman for the time being. This reflects the success of the business, the ongoing development of the management team and the challenges in attracting an external candidate of the appropriate calibre to take over an executive role in the UAE of a London listed UK PLC. Nonetheless, the Board intends to keep this under review as the year progresses and intends that the Chairman and Chief Executive role be split at the time appropriate for the Group.

9. The Board has continued to consider avenues for ongoing enhancement to shareholder value. This includes plans to initiate the payment of dividends at the appropriate time. Recently approved by the Board, our residual dividend policy seeks to strike a balance between funding growth initiatives and providing returns to shareholders. Management is currently evaluating the timing for its implementation, a consideration that has recently

come to the forefront. We will always pursue opportunities to increase shareholder value where these are available and are in the interests of shareholders in the long term.

10. An evaluation of the Board was completed following on from that in the prior year. This confirmed areas in which planned improvements had been made and identified those for ongoing enhancement. The evaluation is commented on further in the report of the Nomination Committee on page 54.

The Board and its Committees continue to work diligently on behalf of all shareholders and other stakeholders in the Group. This work helps sustain operational excellence to enhance performance and utilisation of the Group's assets and explore new opportunities within the market. The Board's focus remains wholly on its management of the Group, the generation of shareholder value and the governance of the Group in line with its duties to all stakeholders.

This Corporate Governance Report, including the sections that follow, sets out how the Group has applied the main principles of governance contained in the 2018 UK Corporate Governance Code (the Code). The Board considers that the Group complied with the relevant Code provisions that applied during the year, except the provision with regard to the combined role of Chairman and Chief Executive due to the relatively small scale of the business and the challenges in recruiting a CEO of appropriate calibre commented on above. Whilst the Board believes this combined role remains appropriate at this time, active succession planning is underway to enable the roles to be split in the future.

We look forward to reporting on progress next year.

Mansour Al Alami
Executive Chairman
03 April 2024

Governance Calendar for 2023

The overall calendar of meetings of the Board and its Committees for 2023 is shown below.

Governance Calendar for 2023

	Further information	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board	Page 44			●				●●	●	●	●		●
Audit and Risk Committee	Page 51			●				●●	●	●	●		●
Nomination Committee	Page 54			●					●	●			
Remuneration Committee	Page 57			●						●			
Annual General Meeting	Page 50						●						

Directors also meet informally between main Board and Committee meetings to discuss performance and latest developments as these arise, with additional formal meetings being arranged as and when appropriate.

Meeting Attendance by Directors in 2023

Director	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Mansour Al Alami	● ● ● ● ● ● ●	◐ ◐ ◐ ◐ ◐ ◐ ◐	◐ ◐	● ● ●
Hassan Heikal	● ● ● ● ● ● ◉	○ ○ ○ ○ ○ ○ ○	○ ○	○ ○ ○
Rashed Al Jarwan	● ● ● ○ ○ ○ ○	● ● ◉ ○ ○ ○ ○	● ○	● ○ ○
Jyrki Koskelo	● ● ● ● ● ● ●	● ● ● ● ● ● ●	● ●	● ● ●
Lord Anthony St John of Bletso	● ● ◉ ● ● ● ●	● ● ● ● ● ● ●	● ●	● ● ●
Charbel El Khoury	● ● ● ● ● ● ●	○ ○ ○ ○ ○ ○ ○	◐ ◐	● ◉ ●
Haifa Al Mubarak[1]	○ ○ ○ ○ ○ ● ●	○ ○ ○ ○ ○ ○ ○	○ ○	○ ○ ○

● Attended ◐ Attended all or part of meeting as an invitee ◉ Apologies* ○ Not on Board/Committee

* Where apologies were sent by a Director, this was due to unavoidable circumstances preventing them from attending. Their views of the subjects to be discussed were obtained in advance and they received a debrief on the outcome of the meeting.

1 Appointed to the Board on 11 October 2023.

Indicates Committee Chair Member of the Audit and Risk Committee Member of the Nomination Committee Member of the Remuneration Committee

Mansour Al Alami

Executive Chairman

Appointed to the Board

10 November 2020 as non-executive Chairman and appointed Executive Chairman 23 November 2020

Relevant Skills and Experience

Mansour Al Alami's career spans over 40 years in the MENA region and includes experience in the oil, gas and energy sector, construction, IT, transportation, finance and investment.

He served 15 years in various roles in ADCO, now ADNOC Onshore (the leading onshore producer within ADNOC Group), in the areas of drilling and production for upstream onshore operations, later becoming Head of Control & Planning. Mansour also has served in senior management positions in other companies including Reda Pump Libya, Al Bawardi Enterprises and EMDAD. He sits on the boards and committees of several Amman Stock Exchange-listed companies.

He brings relevant experience to GMS including extensive technical and commercial experience covering multi-national and multi-site operations in the oil & gas sector. He has successfully led businesses in the MENA region through phases of operational transition and financial restructuring and is using his industry knowledge and leadership skills to work with the Board to implement the Company's repositioning plan.

Mansour has a BSc in Chemical Engineering from Newcastle Upon Tyne University, UK.

Significant External Appointments

None

Hassan Heikal

Deputy Chairman, non-executive Director

Appointed to the Board

25 November 2020 (previously served on the Board from 4 August to 7 October 2020) and appointed Deputy Chairman 5 February 2021

Relevant Skills and Experience

Hassan Heikal is the Chairman of Seafox International Limited, a significant shareholder in GMS, and Chairman of Kazyon, a leading discount retailer in Egypt, Morocco and KSA. He is the Co-Founder of EFG Hermes, a leading investment bank based in the Middle East where he served for 18 years, latterly eight years as Co-Chief Executive Officer. Prior to EFG Hermes, Hassan worked in Goldman Sachs, where he served in the Corporate Finance Division.

His experience in the MENA region, in the oil, gas and energy sectors as well as the financial sector, enhance the expertise of the Board.

Hassan has a BSc from the Faculty of Economics and Political Science, Cairo University, Egypt.

Significant External Appointments

Hassan is the Chairman of Seafox and of Kazyon, a supermarket chain in Egypt.

Lord Anthony St John of Bletso

Senior Independent non-executive Director

Appointed to the Board

26 May 2021
Appointed Senior Independent non-executive Director on 4 August 2023 (previously served on the Board as independent non-executive Director from 26 May 2021)

Relevant Skills and Experience

Anthony is a crossbench peer in the House of Lords. As a practising lawyer by training, with his LLM in Maritime Law, he worked for Shell (South Africa) and then as an oil analyst and in specialist sales for several institutions in the City of London. Through his subsequent career he has held a number of executive and advisory roles in high-growth companies.

Anthony has a BA and a BScoSc in Psychology from Cape Town University, a BProc in Law from the University of South Africa, South Africa and an LLM from the London School of Economics, UK.

Significant External Appointments

Anthony is currently Non-Executive Chairman of Integrated Diagnostics Holdings, and a Non-Executive Director of Yellow Cake PLC, Smithson Investment Trust PLC and Strand Hanson Ltd. He is also a Trustee of a number of charities, with a strong focus on education and wildlife conservation.

Charbel El Khoury

Non-executive Director

23 August 2021

Charbel El Khoury is Group CEO of Mazrui International LLC (Mazrui International), a UAE-based diversified investment company, with significant reach in the energy, industrial, real estate and trading sectors. Charbel guides Mazrui International's growth strategy, taking the lead role in its investments, operations, mergers and acquisitions, project finance and joint ventures. Mazrui International is affiliated with Mazrui Investments LLC a significant shareholder in GMS.

He started his career in prominent legal practices in Lebanon and the UAE before assuming the role of Chief Legal Officer at Mazrui International, where he was responsible for multiple jurisdictions and industry sectors.

Charbel has a bachelor's degree in International Law and Legal Studies, and a master's degree in Private Law, both from La Sagesse University, Lebanon. In 2021, he also successfully completed the Harvard Business School executive education program at Harvard University, USA.

Charbel holds a number of board positions across international organisations in which Mazrui International has invested including, Depa PLC, Hilti Emirates, Carbon Holdings and Gulf Refining Company NV.

Jyrki Koskelo

Independent non-executive Director

5 February 2021

Jyrki Koskelo currently serves as a Board member of Fibank (Bulgaria) and as a member of the Supervisory Board of Serengeti Energy (Sub-Saharan Africa). Jyrki also holds currently several senior advisory positions for regional multilateral development banks. He held various senior positions (between 1987 to 2011) within the Washington-based International Finance Corporation (part of the World Bank Group and the largest global development institution focused on the private sector in developing countries). Jyrki has also previously been a Senior Advisor to the Al Jaber Group, a Board member of the African Banking Corporation, the African Development Corporation and Africa Agriculture and Trade Investment Fund (Luxembourg).

He brings extensive additional business advisory experience to the Board, having had a distinguished career in public and private finance, across multiple markets.

Jyrki has an MSc in Civil Engineering from Technical University, Helsinki, Finland, and an MBA in International Finance from MIT, Sloan School of Management, Boston, USA.

Jyrki is currently a Non Executive Director of First Investment Bank.

Haifa Al Mubarak

Independent non-executive Director

11 October 2023

Haifa Al Mubarak is the CEO and Founder of Know How for Management Consulting, an organisation that specialises in delivering key learning initiatives for blue-chip clients across the region, helping them create a platform for developing the managers and leaders of tomorrow, through data-driven strategies having assessed over 7,000 UAE nationals.

She brings over 40 years' experience in the oil & gas sector and other related industries, having started her career at Abu Dhabi Company for Offshore Oil Operations in 1980 before subsequently joining Abu Dhabi Marine Operating Company.

Ms Al Mubarak holds a BA in Psychology from the University of Denver, USA, and is a certified practitioner for NLP, Myers-Briggs EQ-I 2.0 and EQ 360, as well as being a Psychometric Assessor.

CEO and Founder of Know How for Management, Consulting & Training LLC.

Dear Shareholders,

Our Board is the core decision-making forum for the Group, managing its business and corporate affairs at the highest level. Our Board's primary focus is to promote the long-term success of the Company and to enable the generation of value for shareholders as well as other stakeholders on a sustainable basis over the long term. It oversees the allocation of human, financial and other resources to achieve the Company's overall aims. We view the Board's role as critical to ensuring the sustainable growth the Group has achieved in the past few years continues into the future. The Board, along with management, has continued to develop the Group at both the business and corporate levels such that the interests of all its shareholders and stakeholders are appropriately addressed.

Board Calendar for principal meetings in 2023

Main agenda items reviewed and discussed at each principal meeting:

- ESG matters, including health, safety and the environment and climate change considerations
- Fleet performance and operational matters
- Discussions regarding Company's capital structure and lending banks
- Competitive landscape, market and future business development opportunities
- Consideration of provisions of Section 172 of the Companies Act 2006 for the Directors of the Company

Review of reports from Board Committees as relevant

- Legal and corporate governance matters
- Investor relations and feedback
- Finance and accounting matters
- Human resources
- Risk management and key risks facing the Group
- Trading and forecast updates

Specific items reviewed and discussed at individual meetings:

March

- Review and discussion of the 2023–2025 business plan
- Review and discussion of the Board evaluation
- Status and plans for approval of annual results
- Review and discussion on 2023 forecast including planned debt repayment and expected cash flows.
- Report of the Audit and Risk; Remuneration; and Nomination Committee meetings
- Plans for the Annual General Meeting (AGM)

July

- Update on discussions with the lender banks and other capital considerations
- Consideration of related party transactions
- Update on Task Force on Climate-related Financial Disclosures (TCFD) compliance
- Strategic discussions
- Half-year results update
- Update on full year 2023 forecast
- Plans for the strategy meeting in September in Abu Dhabi
- Report of the Audit and Risk and Remuneration Committee meetings

August

- Report of the Audit and Risk Committee
- Review and approval of half-year results
- Review and discussion on borrowing arrangements and leverage

September (2 day meeting in Group Abu Dhabi offices)

- Strategy discussions
- Review and discussion on borrowing arrangements
- Operational review of the Group
- Review and discussion of regional markets and business development
- Review ESG including climate related matters
- Report of the Audit and Risk; Remuneration; and Nomination Committee meetings
- Update on recruitment of additional non-executive Director

October

- Welcoming Haifa Al Mubarak as non-executive Director
- Discussion of future financing
- Ongoing strategic planning
- Review of the forecasts for 2023

December

- Update from advisors
- Review of financing arrangements
- Report of the Audit and Risk Committee meeting
- Discussion and approval of the budget for 2024
- Remuneration matters for non-executive Directors

The role of the Board and its Committees is summarised in the table below.

Board of Directors
Responsible for the effective oversight of the Company and management of the Group.

Audit and Risk Committee	Remuneration Committee	Nomination Committee
Monitors the integrity of the Group's financial statements, financial and regulatory compliance, and the systems of internal control and risk management. Reviews the effectiveness of the internal and external audit processes.	Determines the reward strategy for the Executive Chairman and Senior Management to attract and retain appropriate individuals and to align their interests with those of shareholders.	Considers and recommends appointments to the Board taking into account the appropriate skills, knowledge and experience to operate effectively and to determine the Group's strategy.
See pages 51 to 53 for the report of the Audit and Risk Committee.	See pages 57 to 58 for the report of the Remuneration Committee.	See pages 54 to 56 for the report of the Nomination Committee.

Executive Management

Board Membership

The Board has reviewed the composition, qualifications, experience and balance of skills of the current Directors to ensure there is the right mix on the Board and its Committees, and that these are working effectively. The current members of the Board have a wide range of appropriate skills and experience. They are from diverse backgrounds and based in more than one country, both in Europe and in the MENA region. Their biographies can be found on pages 44 to 45. The Board recognises the importance of diversity in the boardroom and throughout the business. It recognises this in its aim to recruit the best people who can add the most value to the Board. As part of the ongoing process of refreshing the Board, the appointment of at least one additional non-executive Director to the Board was a priority for the past year. I am delighted to report that Haifa Al Mubarak has joined the Board in October 2023. This is reported upon further in the report of the Nomination Committee on pages 54 to 56.

Non-executive Directors and Independence

The non-executive Directors are a key source of expertise and contribute to the effectiveness of the Board. The non-executive Directors provide balanced judgement and constructive challenge as well as a broad range of skills and experience to the Board as a whole. The Board considers and reviews the independence of each non-executive Director identified as independent at least annually. In line with the Code, in carrying out the review, circumstances which are likely to impair or could appear to impair the independence of non-executive Directors are considered. Consideration is also given to qualities such as character, judgement, commitment and performance on the Board and relevant committees, and the ability to provide objective challenge to management. Following a review by the Board, the Board concluded that each of non-executive Directors should be proposed for reappointment at the Company's upcoming AGM.

Haifa Al Mubarak, Jyrki Koskelo and Anthony St John are considered by the Board to be fully independent. Rashed Al Jarwan was also considered to be fully independent until the date of his retirement from the Board. Charbel El Khoury is considered to be a non-independent non-executive Director given his nomination by one of the Company's major shareholders even though he underwent a similar interview process as the independent non-executive Directors. Hassan Heikal is also considered a non-independent non-executive Director due to him having a dual role with one of our other major shareholders, which also operates in the same industry and with whom he serves as Chairman. Nevertheless, the Board has suitable protocols in place to manage the flow of information in circumstances where conflicts might arise, which are described in more detail below in the Conflicts of Interest section of this report on page 48, and both these Directors provide significant value to the Board.

Jyrki Koskelo, Anthony St John and Haifa Al Mubarak as our independent non-executive Directors, provide strong input to the Board to ensure it is well balanced, in addition to my own role as Chairman. As a group of Directors, our Board brings strong relationships with key clients and banks, extensive experience in other companies in the MENA region, Europe and beyond and considerable sector, technical, financial and operational experience. In addition, the Board is wholly committed to promoting the long-term sustainable success of the Group and generating value for all shareholders taking account of the interests of all stakeholders.

Division of Responsibilities

The Chairman encourages a culture of openness and debate both within the Board's proceedings and when engaging with management. Part of this has been the provision of management reporting and briefings to the Board as a whole and this has been embraced by operational management presenting directly to the Board when appropriate.

As a Board, we aim to operate in a collegiate manner by ensuring that each of the Directors is able to make an active contribution to the Board's decision-making. Whilst the roles of Chairman and Chief Executive Officer are held by one individual, which is contrary to the recommendation of the Code, we are satisfied that the debate within the Board ensures that there remains a division between the responsibilities of the Board and those of management. This is achieved through non-executive Directors devoting adequate time to meet their Board responsibilities, as well as providing constructive challenge and strategic guidance to both encourage and hold management to account.

The non-executive Directors all continue to provide significant value in their roles. The combination of the roles of Chairman and Chief Executive will continue to be kept under review and once a stage is reached when the Board considers it would be appropriate to split the roles, this will be addressed by the Board.

The Board is assisted by an experienced UK-based Company Secretary, ensuring that the appropriate policies, processes, information, time and resources are provided for the Board to function efficiently and effectively.

How the Board Operates

The roles of the Board and its Committees

The Board determines the strategic direction and governance structure that will help achieve the long-term success of the Company and maximise shareholder value. The Board takes the lead in areas such as strategy, financial policy, annual budgeting, risk management and the overall system of internal controls. A summary of some of the Board's key responsibilities is set out in written matters reserved for the Board.

The Board is assisted in certain responsibilities by its Committees which carry out specific tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition and role of each Committee is summarised on page 47 and their full Terms of Reference are available on the Company's website.

The Board Processes

The Chairman, along with the Company Secretary, has established processes designed to maximise Board performance. Key aspects of these are shown below:

- The Chairman and the Company Secretary agree the overall calendar for Board discussions during the year.
- Board meetings are scheduled to ensure adequate time for open discussion of each agenda item allowing for questions, scrutiny, constructive challenge and full debates on key matters for decisions to be taken by consensus though any dissenting views would be minuted accordingly.
- Main Board meetings generally take place at the Company's headquarters in Abu Dhabi with some or all Directors attending by video.
- The development of the Group strategy is led by the Chairman, with input, challenge, examination and ongoing testing and review by the non-executive Directors.
- Members of the Senior Management team are able to draw on the collective experience of the Board, including its non-executive Directors.
- Reporting packs, which are designed to be clear, accurate and analytical, are distributed in advance of main Board meetings, allowing sufficient time for their review, consideration and clarification or amplification of reports in advance of the meeting.
- Once goals have been set and actions agreed, the Board receives regular reports on their implementation.
- Management reports with commentary and analysis are distributed to the Board on a regular basis.
- The Board reviews the Group's risk register and challenges it where appropriate.
- All Directors have open access to the Group's key advisers, including management and the Company Secretary, and are also entitled to seek independent professional advice at the Group's expense where appropriate.

Director Induction and Training

The training needs of the Directors are reviewed as part of the annual evaluation of the Board. The Board and its Committees receive briefings on matters of importance, including corporate governance developments.

Arrangements are in place for any newly-appointed Directors to undertake an induction designed to develop their knowledge and understanding of the Group. The induction includes briefing sessions during regular Board meetings, visits to the Company's Head Office, meetings with members of the wider management team and discussions on relevant business issues. Each Director has received briefings as well as undertaken induction and training sessions tailored to their individual and general requirements, including presentations by the Company Secretary and/or the Company's legal advisors, where appropriate.

Re-appointment of Directors

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, have the required skills, knowledge and experience, are committed to their roles and have sufficient time available to perform their duties. In accordance with the provisions of the Code, all Directors are being proposed for re-appointment at the Company's 2024 AGM as set out in the Notice of AGM to shareholders. As Haifa Al Mubarak was appointed to the Board since the last AGM in 2023, she will accordingly also retire and seek re-appointment by shareholders for the first time, in accordance with the Company's Articles of Association.

Conflicts of Interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the other Directors to authorise such potential conflicts where they arise, and a procedure including an information protocol are in place to deal with any actual or potential conflicts of interest. The Board deals with each actual or potential conflict of interest on its individual merit and takes into consideration all the circumstances.

The information protocol sets out the procedures in relation to the control of certain types of information from the Company to Hassan Heikal, as a non-independent non-executive Director with an existing relationship with a competitor. As such, in circumstances where information is required to be provided to all members of the Board, any information stated as restricted in line with the provisions of the information protocol is not provided to Hassan Heikal. Restricted information includes information that would be commercially sensitive and confidential.

All potential conflicts approved by the Board are recorded in an Interests Register, which is reviewed by the Board at the beginning of each principal Board meeting to ensure that the procedure is operating at maximum effectiveness.

Board Evaluation and Effectiveness

Critical to the success of our Board and its Committees in achieving their aims is the effectiveness with which they operate. The Board believes that these evaluations can provide a valuable opportunity to highlight recognised strengths and identify any areas for development. The Board conducted a review of its performance during the past year.

A summary of the internal evaluation undertaken by the Board is included in the Nomination Committee Report on page 55. The Company is not currently required to conduct an externally facilitated Board evaluation in terms of the Code although the Board will keep this matter under review as the Group develops.

Engagement with Shareholders and Other Stakeholders

The Chairman is responsible for shareholder relations, ensuring that there is effective communication with shareholders on matters such as performance, governance and strategy. The Senior Independent Director is also available to any shareholder with concerns on matters that cannot be addressed through the usual methods. The Senior Independent Director can be contacted through the Company Secretary. The Committee Chairs are also available to shareholders and consult with shareholders, where appropriate, in respect of significant areas which come within their Committee's remit.

As part of our investor relations programme, a combination of presentations, group calls and one-to-one meetings are arranged to discuss the Group's half-year and full-year results with current and prospective institutional shareholders and analysts. Additional meetings may also be held in the intervening periods to keep existing and prospective investors updated on our latest performance.

The Company's website provides stakeholders with comprehensive information on our business activities and financial developments and regulatory news announcements.

Roles and Responsibilities of Directors

Further details of the division of responsibilities are in the table below.

Division of responsibilities

- The roles of Chairman and CEO are held by the same person, as agreed by the Board. Whilst this is not in compliance with the division of responsibilities under the Code, the Board ensures enhanced oversight of the Executive Chairman in his dual roles through the appointment of the Deputy Chairman and strong independent representation on the Board.
- The Executive Chairman is responsible for the leadership and effectiveness of the Board, chairing Board meetings, ensuring that agendas are appropriate and is responsible for ensuring that all Directors actively contribute to the determination of the Group's strategy.
- The Executive Chairman is also responsible for the day-to-day management of the Group and implementing the Group's strategy, developing proposals for Board approval and ensuring that a regular dialogue with shareholders is maintained.
- The separation of authority between the Board and management is ensured by key decisions being referred to the Board and non-executive Directors taking an active role in decision-making between, as well as at main Board meetings.
- The Senior Independent Director acts as a sounding board and confidante to the Executive Chairman and is available to shareholders.
- The non-executive Directors are primarily responsible for constructively challenging all recommendations presented to the Board, where appropriate, based on their broad experience and individual expertise.

Summary of individual responsibilities

***Executive Chairman – Board responsibilities**

- Providing strategic insight from wide-ranging business experience and contacts built up over many years.
- Ensuring that the Board plays a full and constructive role in the determination and development of the Group's strategy.
- Agreeing subjects for particular consideration by the Board during the year at Board meetings, ensuring that adequate time is available to discuss all agenda items.
- Leading the Board in an ethical manner and promoting effective relations between the non-executive Directors and Senior Management.
- Building a well-balanced Board, considering Board composition and Board succession planning.
- Overseeing the annual Board evaluation process and acting on its results.

***Executive Chairman – Management responsibilities**

- Representing the Group to its shareholders and other stakeholders such as its clients and suppliers, and the general industry.
- Leading the business and the rest of the management team and ensuring effective implementation of the Board's decisions.
- Driving the successful and efficient achievement of the Group's Key Performance Indicators KPIs and objectives.
- Leading the development of the Group's strategy with input from the rest of the Board.
- Working with the other Board members in agreeing subjects for particular consideration by the Board during the year.
- Providing strong and coherent leadership of the Company and effectively communicating the Company's culture, values and behaviours internally and externally.

* Non-executive Directors can meet independently of the Chairman to consider matters as appropriate. Any such matters can then be discussed with, and addressed by, the Board as a whole. This process is working well in confirming that no significant issues are arising from the combination of the roles of Chairman and Chief Executive.

Senior Independent Director	Company Secretary
• Acting as a sounding board for the Executive Chairman. • Available to shareholders (and contactable via the Company Secretary) if they have concerns on matters that cannot be addressed through normal channels. • Ensuring a balanced understanding of major shareholder issues and concerns. • Meeting with the other non-executive Directors without the Executive Chairman present, at least annually, in order to help appraise the Executive Chairman's performance. • Serving as an intermediary for the other Directors and the Executive Chairman if necessary. • Provides an independent voice on the Board along with the other independent non-executive Director.	• Secretary to the Board and each of its Committees. • Assisting in the administration of the Board and its Committees helping to ensure that Board papers are clear, timely and sufficient to enable the Board to discharge its duties effectively. • Providing advice to the Board and each of its Committees regarding governance matters.

Annual General Meeting ('AGM')

Notice of the 2024 AGM will be issued to shareholders and available on the Company's website.

At the Company's AGM in 2023, three resolutions (resolution 3, to re-appoint Mansour Al Alami as a Director; resolution 11, to authorise the Directors to allot shares (s551 of the Companies Act 2006) in connection with a Rights issue; and resolution 12, to disapply pre-emption rights (s.570 and s.573 of the Companies Act 2006) in connection with a Rights issue), received more than 20% of the votes cast against the recommendation of the Board. The Executive Chairman and Independent Non-Executive Directors have had extensive discussions with the major shareholders to understand their concerns, and to explain the reasoning why the Board believes such resolutions to have been appropriate, The Board aims for broad support from shareholders in the resolutions to be proposed at the forthcoming AGM.

Mansour Al Alami
Executive Chairman
03 April 2024

AUDIT AND RISK COMMITTEE REPORT

Dear Shareholders,

I am pleased to present the report of the Audit and Risk Committee (the Committee) for 2023 which provides insights into our work during the year. The Committee's activities continue to focus on the effectiveness of the internal and external audit processes, the integrity of the Group's financial reporting, the effectiveness of the Group's risk management process and other governance-related matters. These areas are important to the way the Group's business is operated and are vital in enabling the Group to achieve its strategy, as described on page 4, in a controlled and sustainable manner.

Membership

The Committee's membership consists of three independent non-executive Directors. This marks the third year of membership for Lord Anthony St John of Bletso and myself since our appointment to the Committee in 2021. I am pleased to welcome Haifa Al Mubarak to the Committee effective October 2023, following the retirement of Rashed Al Jarwan. Haifa's appointment reflects our efforts to create a more representative Committee, demonstrating our commitment to promoting diversity in all aspects of our organisation. I look forward to benefiting from Haifa's insights and expertise.

All Committee members are independent non-executive Directors, and our collective expertise allows us to carry out our duties effectively. This composition adheres to the UK Corporate Governance Code (the Code), which specifies that the Committee should consist solely of independent non-executive Directors. Further information about the Committee members' backgrounds is available in their biographies, located on pages 44 to 45.

As Chair of the Committee and a member of the Board with recent and relevant experience, I collaborated with management to review significant areas of judgement and internally reported information. Additionally, I engaged in conversations with the external auditors.

Meetings

The Committee has played an important governance role and supported the Board in fulfilling its oversight responsibilities relating to financial reporting, internal control and risk management. The Committee met seven times during 2023 with an agenda linked to events in the Group's financial calendar and other important matters which fall under the remit of the Committee for consideration. The Committee regularly reports to the Board on how it has discharged its responsibilities. The Company Secretary acts as Secretary to the Committee. Please refer to page 43 for details of meeting attendance by Committee members during the year.

The Terms of Reference, which are available on the Company's website, include all the matters required under the Code and are reviewed annually by the Committee.

The Committee receives reports from external advisers and from the Senior Management team as required, to enable it to discharge its duties and to be given a deeper level of insight on certain business matters. The finance team routinely attend meetings and the Executive Chairman of the Board is sometimes invited to attend the meetings. The internal and external auditor attend and present at meetings when required. The external auditor receives copies of all relevant Committee papers (including papers that were considered at meetings when they were not in attendance) and minutes of all Committee meetings.

Main Activities

During 2023, the Committee focused on various areas, including financial reporting, internal control and risk management, internal audit and external audit. The following sections offer more in-depth insight into our specific endeavours under each of these headings, outlining the actions we, as a Committee, have taken and the outcomes of our efforts.

A) Financial Reporting

Our primary responsibilities involve advising the Board on whether the Annual Report and Accounts are fair, balanced, and understandable and provide shareholders with the information necessary to evaluate the Company and Group's position, performance, business model and strategy.

Significant Issues

In this area, we pay close attention to significant issues that we deem important based on their potential impact on the Group's results or the level of complexity, judgement or estimation involved in their application. For 2023 and up to the date of this report, we considered all significant issues that could be material to the Group's results for the year and closing balance sheet position.

After careful consideration, we were satisfied that management's judgements were reasonable, and appropriate disclosures were included in the 31 December 2023 consolidated financial statements. It is important to note that the Board bears the ultimate responsibility for reviewing and approving the Annual Reports and half-yearly reports. In making our recommendations on these reports to the Board, we give due consideration to laws and regulations, the Code's provisions and the Financial Conduct Authority's Listing Rules.

Throughout 2023, the Committee's work focused on the following areas: financial reporting, internal control and risk management, internal audit and external audit. The following sections provide more detail on our specific items of focus under each of these headings, explaining the work we, as a Committee, have undertaken and the results of that work.

Current Year Items

Area of Focus and Issue	How Addressed and Conclusion
Reversal of impairment of property, plant and equipment IAS 36 requires that a review for impairment or reversal of impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset is materially different to its recoverable amount. Expected utilisation levels, day rates, current backlog and the Group's weighted average cost of capital may also impact the value in use of vessels. Reversal of impairment and impairment assessments are judgemental and careful consideration of the assumptions used in the determination of the value in use of the assets is required.	The Committee evaluated management's approach in determining the recoverable value of the Group's vessels. The Committee evaluated the validity of the assumptions and variations considered in computing the vessels' value in use. The feasibility of the long-term business plan and the suitability of the weighted average cost of capital, which served as an initial basis for determining the discount rate, were taken into account. Discussions were held with the external auditor, and the Committee assessed the audit testing procedures conducted. After examining management's assumptions, the Committee approved the recognition of a reversal of impairment of US$ 37.0 million. Additionally, an impairment charge of US$ 3.6 million was recognised on one vessel. The Committee evaluated the Group's internal controls regarding impairment, primarily focusing on the prompt identification and resolution of accounting judgement issues, as well as the quality and timeliness of documents analysing the Group's position on such judgements. The Committee scrutinised and questioned the impairment calculations formulated by management and made sure that there was a rigorous evaluation of internal controls to evaluate the precision of assumptions and identification of areas requiring enhancement. Additionally, the Committee assessed the extent of assistance necessary from valuation experts to endorse key judgements and calculations linked with accounting estimates established by management.

B) Internal Control and Risk Management

Our internal control systems, including our risk management processes, have been designed to support our strategic and business objectives while also ensuring adequate control over financial reporting. However, it's important to note that no system can completely eliminate the risk of failure to achieve objectives, and our systems can only provide reasonable assurance against material misstatement or loss.

During the year, the Board conducted a comprehensive assessment of the principal and emerging risks facing the Group. The risk related to COVID-19 has been excluded from the principal risks with the lifting of lockdown, travel and other restrictions in the jurisdictions where our Group operates. Further, recent developments around the geo-political landscape have been reflected in the risk heatmap presented on page 13. The Committee supports the Board by regularly reviewing the risk heatmap and associated controls to identify and manage risks effectively.

The Committee is also responsible for reviewing the effectiveness of the Group's internal controls over financial reporting. This is mainly evaluated based on the timely identification and resolution of accounting judgements, as well as the quality and timeliness of analysis papers. After reviewing control deficiencies identified during the previous year, the Committee is satisfied that management has improved the majority of areas where control deficiencies were found. Where there are areas for further improvement, management continues to address these and communicate these matters with the Committee. To ensure accurate accounting treatment, the Group has utilised the expertise of various specialists where appropriate.

The Committee also reviewed control observations identified during the 2023 year end external audit and the areas of improvement needed to enhance controls in the following areas: impairment review, classification of accruals and financial reporting process. They concluded that in 2023, after implementing enhanced controls, there remained areas in which further improvements could be made. As such, the Audit and Risk Committee plans to conduct an enhanced review of internal controls to identify areas of further enhancement in 2024.

The Committee concluded that other than those controls mentioned above, GMS' system of operational and financial internal control (including risk management) for day-to-day operations continue to be effective.

C) Internal Audit

In 2021, GMS appointed Baker Tilly as its internal auditors after a competitive tendering process that involved other reputable professional services firms. The Audit and Risk Committee was satisfied with the quality, experience and expertise of Baker Tilly's internal audit practice and their knowledge of the industry and region in which the Group operates.

The internal auditors were engaged in performing audits of HR and IT functions during the year. The IT audit is at its final stages with observations being discussed with the IT team, while the HR audit report has been completed. The report identified control weaknesses, which were assessed as not representing significant risks. Any gaps between the current state and industry best practices are reported to the Committee.

Overall, GMS has taken proactive steps to ensure the effectiveness of its internal controls system, and the Audit and Risk Committee has played a important role in overseeing the Group's risk management practices.

D) External Audit

Appointment and independence

The Committee considers formally the reappointment of the Group's external auditor each year, as well as assessing the independence of the incumbent auditor on an ongoing basis. During the financial year, the Company has complied with the mandatory audit processes and the Committee has complied with the provisions set out in the Competition and Markets Statutory Audit Services Order 2014. KPMG Ireland (KPMG) were appointed as external auditor in 2022. This appointment followed the most recent tender of the Group audit which concluded in 2022 with KPMG accordingly now having two years tenure.

In accordance with UK regulations and to help ensure independence, our external auditor adheres to a rotation policy based on the Financial Reporting Council's (FRC's) Ethical Standard that requires the Group audit partner to rotate every five years.

Provision of Non-audit Services

To preserve the external auditor's impartiality and autonomy, the Committee mandates specific approval for any non-audit services valued over US$ 50,000. In the improbable scenario that the cumulative total of non-audit services exceeds 70% of the overall Group audit fee in a fiscal year, the provision of additional non-audit services by the external auditor will be considered exceptional and necessitate prior approval from the Committee. The Committee must ascertain that the external auditor's independence and impartiality will not be compromised in any manner when performing such services.

Total 2023 audit fees were US$ 800,000 (2022: US$ 620,000). The total non-audit services provided by the Group's external auditors for the year ended 31 December 2023 were US$ 150,000 (2022: US$ 167,000) which comprised 16% (2022: 21%) of total audit and non-audit fees. The non-audit fee was incurred in relation to the interim review. Additionally, the Group disbursed US$ 177,000 in audit overruns and out of pocket expenses in 2023, specifically attributed to activities related to the 2022 financial year. The Committee has confirmed that KPMG's provision of non-audit services during the current year has not compromised the external auditor's objectivity and independence. Note 36 to the consolidated financial statements provides additional information on the remuneration paid to the external auditor for both audit and non-audit services.

Audit and Risk Committee Effectiveness Review

The effectiveness of the Audit and Risk Committee was reviewed as part of the Board evaluation commented on page 49.

Ethical Conduct and Compliance

Our Whistleblowing Policy encourages all employees to report any suspected improprieties related to the Group's activities. The Group provides a confidential whistleblowing hotline that is managed externally, and all reports are communicated to the Committee. During the reporting period, there were no instances of whistleblowing that fell within the scope of the Group's policy. The Committee is confident that the Group has established suitable measures for the independent investigation of potential improprieties and for taking appropriate follow-up action. Our internal audit team or other third-party specialists may be engaged to investigate any issues, and we will be informed of the outcomes.

As part of the Company induction process, Code of Conduct training is mandatory for all new employees who join the Group.

The Group has a comprehensive set of anti-corruption and bribery policies in place. We are satisfied that we have implemented appropriate policies and training to ensure that the Group complies with relevant laws and upholds our high ethical standards in business conduct.

Jyrki Koskelo
Audit and Risk Committee Chairman
03 April 2024

Dear Shareholders,

I am pleased to present the report of the Nomination Committee (the "Committee"), which summarises our activities during the past year. The Committee met three times during the year which we considered necessary to discharge our duties efficiently as a Committee.

The Committee is responsible for evaluating the balance of skills, knowledge and experience of the Directors. It also reviews the composition and structure of the Board, makes recommendations to the Board on retirements and appointments of additional and replacement Directors, and has a continuous and proactive approach to succession planning for the Board and Senior Management. Our role is also to align the Board composition with the Group's culture, values and strategy. As part of this role, we ensure the Board and its Committees have the right balance of skills, experience, diversity, independence and knowledge to effectively discharge their duties.

Membership

Currently, the Committee comprises five members which includes three independent non-executive Directors, Haifa Al Mubarak, Jyrki Koskelo and Anthony St John, one non-independent non-executive Director, Charbel El Khoury, and myself (Mansour Al Alami) as Chairman of the Committee.

This composition is in compliance with the 2018 UK Corporate Governance Code (the Code) which provides that independent non-executive Directors should comprise the majority of the Committee.

Key Responsibilities

The Nomination Committee's responsibilities include:

- regularly reviewing the composition, structure and size of the Board and its Committees;
- evaluating the balance of skills, knowledge, experience, personal attributes and diversity on the Board of Directors;
- reviewing succession planning for the Board and Senior Management; and
- leading the process for Board appointments and making recommendations to the Board in respect of new appointments.

Board

The Board comprises six Directors, including the Chairman, three independent non-executive Directors and two Directors nominated by shareholders. Each have relevant experience to the Company's business. The Board believes this achieves the appropriate balance in its membership with half of the Board being considered fully independent.

One of the pivotal considerations on any appointment to the Board relates to diversity. The Nomination Committee takes an active role in setting and meeting diversity objectives and strategies for the Company as a whole. The Board's policy is to continue to seek and encourage diversity within long and short lists, including with regard to gender, as part of the overall selection process for non-executive Director roles. Each Director brings a wealth of skills, knowledge and experience which together enable the Board to provide effective leadership to the Company. Consolidating the Board's strong relationships with key clients and banks as well as the Board's extensive sector and market knowledge and experience is beneficial to the future direction and growth of the business. Further details of the Directors' backgrounds are included in their biographies on pages 44 to 45.

Workforce Engagement

Rashed Al Jarwan was the nominated non-executive Director to oversee the workforce engagement process, until he retired from the Board. He was replaced by Lord Anthony St John of Bletso. Lord Anthony brings a wealth of experience and expertise in this area. As part of his initiatives in workforce engagement Director role, Lord Anthony held an interactive session with management to better understand progress and any issues directly from the employee perspective. An employee engagement survey was also completed covering several areas including, culture, environment, remuneration, individual roles and development within the Company. The results of surveys were reported to and discussed by the Board as part of their ongoing considerations around the workforce. An end of year celebration event was held at the Abu Dhabi HQ office to celebrate the collective wins as a team in 2023. During this event, long service employees were recognised with awards for 10, 15, 20 and 25 years of service.

Board and Committee Evaluation

An internally facilitated evaluation of the Board, its Committees, individual Directors and the Executive Chairman was conducted. The evaluation followed the process set out below:

Questionnaire
Directors completed a questionnaire on a confidential basis. The questionnaire was structured to provide Directors with an opportunity to express their views on a range of matters including:
- Strategy and risk;
- Board effectiveness and operation;
- Executive Chairman's effectiveness;
- Effectiveness of the Board and each of its Committees;
- Director effectiveness and independence; and
- Other general observations.

Results
The results of the 2022 Board evaluation questionnaire were collectively reviewed by the Board and conclusions drawn from this. The progress since the 2022 evaluation in key areas identified was welcomed As a result of the findings from the 2023 evaluation, the Board has concluded that the performance of each of the Directors standing for re-appointment continues to be effective and demonstrates a commitment to their roles. The Board has also concluded that it should maintain its increased focus on longer term strategy, including at its face to face meetings, as well as continuing to progress the Group's business with the support of its standing Committees in their areas of responsibility.

Chairman Review

The performance of the Executive Chairman was evaluated by the non-executive Directors. The evaluation was led by the Senior Independent Director and was concluded to be satisfactory. The Senior Independent provides relevant feedback to the Chairman.

Appointment of Independent Non-Executive Director

The appointment of Haifa Al Mubarak as an independent non-executive Director followed a rigorous and transparent recruitment process and discussions at the meetings of both Nomination Committee and the Board. The process followed is summarised in the table on page 42.

Selection Process for Key Board Appointments

Candidate Specification
A specification for candidate was prepared identifying the desired key skills, qualifications and character profile being sought taking into account the current membership and dynamics of the Board.

Consider Potential Candidates
A range of candidates meeting the specification were identified from a diverse range of backgrounds.

Interviews and Selection
Each of the independent non-executive Directors met the selected candidate and gave their feedback to the Chairman of the Nomination Committee.

Recommendations and Confirmation of Appointment
The Nomination Committee considered and discussed the feedback and recommended the candidate to the Board. The Board approved the appointment as recommended by the Committee.

Re-appointment of Directors

All the Directors being proposed for reappointment attended all meetings they were scheduled to attend unless unavoidably prevented from doing so. They all devote sufficient time to their duties. The evaluation also confirmed that the roles of the Directors in other companies in no way impede their roles within the Company. Indeed, each demonstrates great enthusiasm as well as commitment to their roles.

The biographical details of Directors can be found on pages 44 to 45. All of the Company's Directors will stand for re-appointment at the 2024 AGM. The terms and conditions of appointment of the Directors are available for inspection at the Company's registered office and at the venue of the Company's AGM during that meeting.

Diversity

The Company is committed to a culture that promotes diversity, including gender diversity, and to achieving a working environment that provides equality of opportunity on the Board.

This approach to diversity at a Board level is part of the Group's policy on diversity and inclusion which is a key objective in the Company strategy as an international maritime business. This policy is consistently implemented in recruitments to the business resulting in a wide range of nationalities, backgrounds, and other aspects of diversity in the workforce. Our most recent appointment to the Board, Haifa Al Mubarak aligns with our longstanding goal of achieving gender diversity. As a continuation of our merit-based approach, the Board intends to work towards further gender diversity in future Board appointments. In the meantime, less than 40% of the individuals on the Board are women and none of the senior positions are currently held by women. Whilst this has not been possible to date due to the membership of the Board, the Board aims to meet these targets in the future. For the purposes of this disclosure, 31st December 2023 has been used as the reference date.

Individuals on the Board and in its executive management are situated overseas where Data Protection laws restrict the collection and publication of certain data. In addition, the Group embraces ethnic diversity within the Board and the business as part of its normal operation and believes that drawing distinctions between individuals based on ethnicity would work against the ethos it actively pursues and delivers on. The Company accordingly does not disclose the ethnicity of such individuals. It can though confirm that at least one of the Directors is from what the Financial Conduct Authority's Listing Rules describe as a 'minority ethic background', though as an international company with Board members each from different countries in several regions, that is not a term which we would otherwise use.

The Board also continues to be diverse in terms of background and international experience of its members. The Board has a broad range of experience and expertise covering relevant technical, operational, financial, governance, legal and commercial expertise, as well as the valuable experience of operating in the energy industry on an international basis.

The People and Values section on pages 26 to 40 provides further information on the Group's workforce.

Succession Planning

The Committee noted the importance of ensuring business continuity through the ongoing development of the depth of the management team, including the operational aspects from the marine side and business development.

Succession planning for Senior Management across the Group is reviewed to enable, encourage and facilitate the development of individuals, including internal career progression opportunities as they have done during the past year. As a practical matter, given the size of the Company, the Committee recognises that many senior posts are likely to be sourced from external hires.

As well as Committee Chairman, I am Executive Chairman of the Group. The other members of the Nomination Committee have requested that I continue in the Executive Chairman position during the current period of development of the Group.

We will report to you again next year on the results of our ongoing succession planning and other activities we intend to carry out during 2024.

Mansour Al Alami
Nomination Committee Chairman
03 April 2024

REMUNERATION COMMITTEE REPORT

Dear Shareholders,

The structure and levels of remuneration of the Group's Senior Management team are critically important to the Group successfully achieving and sustaining its strategic aims. The Remuneration Committee sets the strategy, structure and levels of remuneration of our Executive Chairman and reviews the remuneration of the other members of the Senior Management team. It also reviews remuneration in the Group more generally providing guidance to management and taking this into account when setting executive remuneration. We do this in the context of the Group's strategy and goals to drive their achievement using internal measures taking account of comparatives within the Group and in comparable companies.

I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2023. On the Committee with me are Jyrki Koskelo and Haifa Al Mubarak, both our other independent non-executive Directors. Mansour Al Alami and Charbel El Khoury also attend Remuneration Committee meetings on invitation although, of course, Mansour Al Alami does not participate in any decisions in relation to his own remuneration. The Committee meets during the year when appropriate to consider either executive or wider Group remuneration.

This report covers the work of the Committee during the year. In addition, the Company is required to put the Directors' Remuneration Policy to a vote at the 2024 Annual General Meeting (AGM). No material changes are proposed to the Directors' Remuneration Policy approved at the 2021 AGM. We seek approval of shareholders of this report and the Directors' Remuneration Policy (the "Policy") to ensure an appropriate remuneration structure is in place for the Group on an ongoing basis.

The Committee has continued to progress matters in respect of remuneration in line with the Policy previously approved by shareholders, with a focus on creating appropriate performance parameters as well as structures.

In this report, we have set out key events that occurred last year along with the rationale for actions since taken and planned to be taken.

Executive Chairman

(a) Salary

The Executive Chairman's salary, having not been reviewed or increased since his appointment in 2020, the Committee determined that Mansour Al Alami's remuneration should be reviewed for 2024. Accordingly, his annual salary has been increased from AED 1,536,000 to AED 1,646,100. This first uplift since Mr Al Alami's appointment in 2020 represents an increase of 7% on a salary which is relatively low in relation to market comparatives in similar companies for the roles he fulfils and experience he brings. The Committee would like to thank Mr Al Alami for his continued approach to prioritising the interests of the Company. Group salaries overall, which unlike that of the Executive Chairman, are set at market rates show an average annual increase for 2024 of 6%.

(b) Annual Bonus

Annual Bonus targets are set are set based on metrics aligned with the implementation of the Group's strategy. No annual bonuses were paid in the Group in relation to 2022 as the Group did not meet its target debt leverage of below 4.0 times adjusted EBITDA at 31 December 2022. This target was achieved by 31 March 2023 and the leverage has been reduced further to 3.05 times adjusted EBITDA by 31 December 2023.

The annual bonus potential for Mansour Al Alami in 2023 continued at 100% of salary for maximum performance. The maximum potential for 2024 is to be 120% of salary in line with the current and proposed remuneration policy (and not to utilise the full capacity of up to 150% of salary available for exceptional circumstances). This has allowed inclusion of key strategic targets and important personal objectives in addition to financial targets, as well as reflecting the improved performance of the Group.

For 2023, the annual bonus was payable based on the following measures:
- 30% weighting on EBITDA;
- 15% weighting on EBITDA margin;
- 15% weighting on securing contracts for 2024 Revenues;
- 15% weighting on securing contracts for 2025 Revenues;
- 25% weighting on achieving target leverage;

subject to an over-riding discretion to vary outcomes if a payment is not justified by overall performance and developments in the Group.

The outcome of these measures, detailed on page 68 result in a payment of a bonus of 95.1% of the maximum, reflecting the excellent performance of the business during the year.

For 2024, the annual bonus of the bonus of the Executive Chairman is intended to be payable for the following measures (expressed as a percentage of salary):-

Financial targets
- 25% weighting on EBITDA;
- 10% weighting on EBITDA margin;
- 20% weighting on securing contracts for 2024 Revenues;
- 10% weighting on securing contracts for 2025 Revenues;
- 20% weighting on achieving target leverage;

Strategic targets
- 15% weighting on financing target;
- 5% on strategic partnership target;

Personal objectives
- 10% on capital market development objectives;
- 10% on management talent development and succession planning objectives;

subject to an over-riding discretion to vary outcomes if a payment is not justified by overall performance and developments in the Group.

(c) Long Term Incentive Plan (LTIP)

There was an underpin condition in the 2022 LTIP awards such that none of the shares could vest unless the debt leverage in the Group fell below 4.0 times EBITDA at 31 December 2022. This condition was not met and accordingly the 2022 LTIP awards lapsed. The Committee has decided to defer consideration of further LTIP awards until such time as it considers these can be an effective incentive for participants generally. It plans to consider this matter further later in the year.

(d) Non-Executive Director Fees

The fees of non-executive Directors, having not been increased since 2014, have been reviewed for 2024. Following this review, and taking account of both market comparables, and the commitments required from non-executive Directors in the Company, the Board has increased the base fee of independent non-executive Directors from £45,000 per annum to £55,000 per annum. Similarly, the fees of the Chairmen of the Audit and Risk Committee and Remuneration Committee, have been increased from £5,000 per annum to £10,000 and £15,000 per annum respectively, the latter reflecting the increasing role of that Committee in light of the forthcoming changes to the UK Corporate Governance Code (with seven meetings held in 2023). Similarly members of those Committees other than the Chair will each receive fees of £5,000 per annum. The fees of the Senior Non-executive Director which role includes workforce engagement have been increased from £5,000 to £10,000. The Board (excluding the independent non-executive Directors) believes these fees to be commensurate with the commitment and work involved on the Board and its Committees recognising the time devoted to travel to face to face meetings over multiple days in the UAE where the Group's operations are based.

Conclusion

The other members of the Committee and I consider that the extensive work undertaken over the past years, including the valuable contributions by shareholders, continues to stand us in good stead for the future years as well. We are grateful for the support shareholders have shown as we continue to strive for furthering shareholder and stakeholder interests alike. Following this letter are the detailed Directors' Remuneration Report and the Directors' Remuneration Policy proposed for approval by shareholders at the upcoming AGM. Our aim is to maintain the consensus we have previously built with shareholders. I am available to discuss matters if any shareholder or proxy advisor has any questions and I am contactable through the Company Secretary. I look forward to this continued engagement and to the ongoing support of shareholders.

Lord Anthony St John of Bletso
Remuneration Committee Chairman
03 April 2024

DIRECTORS' REMUNERATION POLICY REPORT (UNAUDITED)

This part of the report, which is not subject to audit, sets out the remuneration policy for the Company and has been prepared in accordance with the provisions of the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The policy has been developed taking into account the principles of the UK Corporate Governance Code (the Code), the guidelines published by institutional advisory bodies and the views of our major shareholders. The Company is required to prepare and seek shareholder approval for an updated Directors' Remuneration Policy at least once every three years. The Directors' Remuneration Policy will be put to a shareholder vote at the Company's Annual General Meeting in 2024 and is detailed below.

The overarching aim is to operate a Remuneration Policy which rewards senior executives at an appropriate level for delivering against the Company's annual and longer-term strategic objectives. The Policy is intended to create strong alignment between executive Directors and shareholders through inclusion of a performance-related bonus and LTIP awards.

Policy Overview

The Committee assists the Board in its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration.

The Company's policy is to provide remuneration to executives to reflect their contribution to the business, the performance of the Group, the complexity and geography of the Group's operations and the need to attract, retain and incentivise executives.

The Committee seeks to provide remuneration packages that are simple, transparent and take into account best UK and local market practices in countries where we operate, whilst providing an appropriate balance between fixed and variable pay that supports the delivery of the Group's strategy.

In its development of the Policy, the Committee took account of the six factors set out in the Code summarised below:

- **Clarity**
  The Policy seeks to be transparent and promote effective engagement with shareholders and the workforce with appropriate alignment and open disclosure.
- **Simplicity**
  The Policy seeks to follow a standard easy to understand structure for ongoing remuneration with one-off variations only where appropriate for the Group's specific circumstances and none implemented in the past year.
- **Risk**
  The Policy seeks to balance opportunity with risk in relation to the specific circumstances of the Group by structuring targets to align with sustained success.
- **Predictability**
  The Policy seeks to quantify potential outcomes from achievement of both shorter and longer-term objectives as well as quantifying fixed remuneration and has determined bonuses to be paid consistently across the Group.
- **Proportionality**
  The Policy is structured to incentivise and reward targets to benefit the Group whilst fairly rewarding Directors for working towards those targets and retaining overriding discretion to override formulaic outturns where it considers appropriate, with target achievement in the past year having fairly reflected overall performance.
- **Alignment to culture**
  The Policy is intended to be aligned with the culture being developed in the Group of empowerment to achieve Group objectives coupled with reward for doing so within an environment of integrity by ensuring remuneration of different groups of employees takes account of the overall approach followed.

The Committee was able to consider corporate performance on Environmental, Social and Governance (ESG) issues when setting executive Directors' remuneration. The Committee has ensured that the incentive structure for Senior Management does not raise ESG risks by inadvertently motivating irresponsible behaviour.

In the past year, the policy operated as intended in terms of driving company performance and resulting in the appropriate quantum of remuneration, other than the operation of the long term incentive plan as a valued incentive across the management team, which is intended to be reviewed during the current year. No discretion has needed to be, not has been, exercised in the implementation of the remuneration policy for the past year.

The following table sets out the Directors' Remuneration Policy.

REMUNERATION POLICY TABLE FOR EXECUTIVE DIRECTORS

Element of Pay	Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Criteria
No changes are proposed to the current approved policy other than confirmation under allowances in relation to untaken holiday				
Base salary	• To attract and retain talented people with the right range of skills, expertise and potential in order to maintain an agile and diverse workforce that can safely deliver our flexible offshore support service	• Normally reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities • The level of base salary reflects the experience and capabilities of the individual as well as the scope and scale of the role • Any increases to base salary will take into account individual performance as well as the pay and conditions in the workforce	• Any increases in base salary will not take the level of base salary above the level justified in the Committee's opinion by the factors set out below • When determining the level of any change in compensation, the Committee takes into account: – Remuneration levels in comparable organisations in the UAE and the Arabian Peninsula region – Remuneration levels in the international market – Increases for the workforce generally – Changes to an individual's role, including any additional responsibilities	• N/A
Annual bonus	• To encourage and reward delivery of the Group's annual strategic, financial and operational objectives	• Performance measures and targets are reviewed annually by the Committee and are linked to the Group's key strategic and financial objectives • Annual bonus will normally be paid wholly in cash up to 100% of base salary • Annual bonus in excess of 100% of base salary will normally be deferred in GMS shares for up to two years • The Committee has the discretion to defer a greater proportion of the annual bonus in GMS shares • Deferral will be under the Deferred Bonus Plan. Any dividends that accrue during the deferral period may be paid in cash or shares at the time of vesting of the award • Clawback and/or malus can be applied for three years from the end of the financial year to which a payment relates, in the event of serious misconduct, reputational harm, corporate failure, a material misstatement of the Company's financial results or an error in the calculation of performance targets	• Maximum opportunity of 120% or, in exceptional circumstances, 150% of base salary (in the case of the Executive Chairman calculated on the uplift base salary)	• The annual bonus will be based on Group financial performance, other than where the Committee deems appropriate to include additional specific measures • The Committee has discretion to vary annual bonus payments downwards or upwards if it considers the outcome would not otherwise be a fair and complete reflection of the performance achieved by the Group and/or the Executive Director. Performance below threshold, as shown in the Corporate Scorecard, results in zero payment. Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets. If financial and/or (for a minority of the total) non-financial or strategic targets not linked to a set of annual results are used, these can straddle more than one financial year where considered justified

Element of Pay	Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Criteria
No changes are proposed to the current approved policy other than confirmation under allowances in relation to untaken holiday				
Long Term Incentive Plan (LTIP)	• To incentivise and reward the achievement of key financial performance objectives and the creation of long-term shareholder value • To encourage share ownership and provide further alignment with shareholders	• Annual awards of nil-cost options or conditional shares with the level of vesting subject to the achievement of stretching performance conditions measured over a three-year period • Performance targets are reviewed annually by the Committee and are set at such a level to motivate management and incentivise out-performance • If the Committee decides it to be appropriate at the time, awards may be cashed out instead of being satisfied in shares • Dividends that accrue during the vesting period may be paid in cash or shares at the time of vesting, to the extent that shares vest • Malus and clawback provisions apply in the event of serious misconduct, reputational harm, corporate failure, a material misstatement of the Company's financial results or an error in the calculation of performance targets. Clawback can be applied for three years from the end of the financial year in which an award vests • A two-year post-vesting holding period will normally apply	• Normal maximum opportunity of 200% of base salary (exceptional limit of 300% of base salary)	• Performance is assessed against metrics which will normally include a financial measure, such as EBITDA, and/or a net profit • 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for achievement of maximum performance targets • The Committee has discretion to vary the level of vesting downwards or upwards if it considers the outcome would not otherwise be a fair reflection of the performance achieved by the Company and/or to prevent windfall gains from arising
End of service gratuity	• To provide an end of service gratuity as required under UAE Labour Law	• End of service gratuity contributions are annually accrued by the Company after an employee served for more than one year • The calculation is based on basic salary, duration of service and type of the contract: limited or unlimited. The Committee has no discretion on the amount. It is set and regulated by UAE Labour Law	• The maximum pay out to an employee is limited by UAE Labour Law to two years' base salary	• N/A
Benefits	• To provide competitive and cost-effective benefits to attract and retain high-calibre individuals	• Private medical insurance for the executive and close family, death in service insurance, disability insurance, accommodation payment of children's school fees and remote working expenses (as applicable)	• Actual value of benefits provided which would not exceed those considered appropriate by the Committee	• N/A

Element of Pay	Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Criteria
No changes are proposed to the current approved policy other than confirmation under allowances in relation to untaken holiday				
Allowances	• Allowances are set to cover living and travel costs where the Director serves outside their home country and is in line with local market practice and to cover payments in lieu of untaken holiday where such payments are in line with the Group's policies in relation to the wider workforce.	• Any increases to allowances will take into account local market conditions as well as the allowances provided to the workforce • Allowances relating to air travel and transport	• N/A	• N/A
Share ownership guidelines	• To encourage alignment with shareholders	• Executive Directors are required to build and maintain a shareholding equivalent to at least 200% salary through the retention of vested share awards or through open market purchases • A new appointment will be expected to reach this guideline in three to five years post-appointment • Executive Directors are required to retain 50% of the shares (net of tax) vesting under the incentive schemes until the guideline has been achieved • Executive Directors ceasing in their role are required to retain their then shareholding, up to their minimum in-service requirement in the first year and 50% of that in the second year, subject to the discretion of the Committee to vary the level or length of these requirements if it considers that to be appropriate in the circumstances at the time	• N/A	• N/A

NOTES TO THE TABLE

Annual Bonus Performance Measures

The annual bonus reflects key financial performance indicators linked to the Group's strategic goals. Financial targets are set at the start of the financial year with reference to internal budgets and taking account of market expectations.

LTIP Performance Measures

The LTIP performance measures will reward long-term financial growth and long-term returns to shareholders. Targets are set by the Committee each year on sliding scales that take account of internal strategic planning and external market expectations for the Group. Only 25% of rewards are available for achieving threshold performance with maximum rewards requiring out-performance of challenging strategic plans approved at the time of grants.

Discretion
The Committee operates the Company's annual short-term and long-term incentive arrangements for the executive Directors in accordance with their respective rules, the Financial Conduct Authority's Listing Rules and the HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include the following:
- who participates;
- the timing of the grant of award and/or payment;
- the size of an award (up to Policy and plan limits) and/or a payment;
- the annual review of performance measures, targets and weightings for the annual bonus and LTIP from year to year;
- discretion relating to the measurement of performance and adjustments to performance measures and vesting levels in the event of a change of control or restructuring;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Payments Under Previous Policies
Any remuneration payment or payment for loss of office to which a Director became entitled under a previous Directors' Remuneration Policy or before the person became a Director (unless the payment was in consideration of becoming a Director) may be paid out even though it may not be consistent with this Policy.

Remuneration Scenarios for the Executive Chairman
The chart below shows an estimate of the potential future remuneration payable for the Executive Chairman in 2024 at different levels of performance. The chart highlights that the performance-related elements of the package comprise a portion of the Executive Chairman's total remuneration at on-target and maximum performance.

The table below sets out notional remuneration of the Executive Chairman to the Executive element of his salary on the basis that he acts as Executive Chairman throughout 2024.

1 Mansour Al Alami's contractual entitlement for fixed pay and annual bonus is expressed in UAE Dirhams and is shown above in US$ using an exchange rate of US$ 1/AED 3.665. Minimum remuneration represents uplift base salary, allowances and benefits (such as travel) on the basis of a full year of executive service.
2 Minimum performance assumes no award is earned under the annual bonus. At on-target and at maximum, 100% of the annual bonus is earned equivalent to 100% of basic salary subject to approval by Remuneration Committee.

For further details see page 57 of the Chairman's Letter.

How Remuneration of the Executive Directors differs from employees generally, and how their views are taken into account in setting Remuneration Policy
When considering the structure and levels of executive Director remuneration, the Committee reviews base salary, annual bonus and LTIP arrangements for the management team, to ensure that there is a coherent approach across the Group. The annual bonus plan and LTIP operate on a similar basis across the Senior Management team. The key difference in the Policy for Executive Directors is that remuneration is more heavily weighted towards variable pay than that of other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the executive Directors. Because of the lack of visibility and influence over achievement of performance measures, the pay of employees outside the management team is much less linked to Group performance and is mostly in the form of salary and benefits.

Whilst the Committee did not formally consult with employees in respect of the design of the Director's Remuneration Policy, it nonetheless takes into account wider remuneration in the Group and the views of employees in determining the Policy and implementation of Executive remuneration. For example, no bonuses having been paid in relation to 2022 to assist the Group in achieving its leverage targets, the Committee took account of feedback subsequently received and has approved the payment of bonuses in full in relation to the performance achieved in 2023. Similarly, following feedback on the long-term incentive awards granted in 2022, lapsing in 2023 due to non-achievement of the leverage underpin, the Committee is giving further consideration as to how best to utilise such awards in future. Following the retirement of Rashed Al Jarwan from the Board, the role of senior non-executive Director overseeing workforce engagement was assumed by Lord Anthony St John on 4 August 2023 and further details regarding workforce engagement can be found on page 54.

Consideration of Shareholder Views

The Committee engages directly with major shareholders and their representative bodies on any major changes planned to the Directors' Remuneration Policy or how the Policy will be implemented. This past engagement has shaped the Remuneration Policy followed by the Company and the outcomes from implementation of this, both in terms of structure, and quantum.

Executive Directors' Recruitment and Promotions

The policy on the recruitment or promotion of an executive Director takes into account the need to attract, retain and motivate the best person for each position, while at the same time ensuring a close alignment between the interests of shareholders and management, as follows:

Base salary	The base salary for a new appointment will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the base salary for a new executive Director at a level which is below market (for example, to allow them to gain experience in the role) their base salary may be increased to achieve the desired market positioning by way of a series of phased above inflation increases. Any increases will be subject to the individual's continued development in the role.
End of service gratuity, benefits and allowances	End of service gratuity, benefits and allowances will be set in line with the Policy, reflective of typical market practice and the Labour Law for the UAE. In the event of an executive Director being recruited to work outside the UAE, alternative benefits, pension provision and/or allowances may be provided in line with local market practice. Recognising the international nature of the Group's operations, where appropriate to recruit, promote or transfer individuals to a different location of residence, the Committee may also, to the extent it considers reasonable, approve the payment of one-off relocation and repatriation-related expenses. It may also approve legal fees appropriately incurred by the individual in connection with their employment by the Group.
Annual bonus and LTIP	The Company's incentive plans will be operated, as set out in the Policy table above, albeit with any payment pro-rata for the period of employment and with the flexibility to use different performance measures and targets, depending on the timing and nature of the appointment.
Remuneration foregone	The Committee may offer cash and/or share-based elements to compensate an individual for remuneration and benefits that would be forfeited on leaving a former employer, when it considers these to be in the best interests of the Group (and therefore shareholders). Such payments would take account of remuneration relinquished and would mirror (as far as possible) the delivery mechanism, time horizons and performance requirement attached to that remuneration and would not count towards the limits on annual bonus and LTIP in the Policy. Where possible, this will be facilitated through existing share plans as set out in the Policy table above, but if not, the Committee may use the provisions of 9.4.2 of the Financial Conduct Authority's Listing Rules.
Internal appointments	In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role.

Directors' Service Agreements and Payments for Loss of Office and Provision for Change of Control

The Committee seeks to ensure that contractual terms of the executive Director's service agreement reflects best practice.

Notice period	Executive Directors' service agreements are terminable on no more than 12 months' notice. The Executive Chairman's present service agreement is terminable by either the Company or the Executive Chairman on six months' notice although this may be amended if considered appropriate but never to be terminated on more than 12 months' notice. In circumstances of termination on notice the Committee will determine an equitable compensation package, which may be comprised by some or all of the items set out below together with legal fees and repatriation expenses having regard to the particular circumstances of the case. The Committee has discretion to require notice to be worked, to make payment in lieu of notice or to place the Director on gardening leave. The Company may terminate the appointment summarily with immediate effect if the Director is guilty of gross misconduct in accordance with relevant provisions of the UAE Labour Law.
Payment in lieu of notice	In case of payment in lieu, base salary (ignoring any temporary reduction), allowances, benefits and end of service gratuity will be paid for the period of notice served or paid in lieu. If the Committee believes it would be in shareholders' interests, payments would be made either as one lump sum or in equal monthly instalments and in the case of payment in lieu will be subject to be offset against earnings elsewhere.
Annual bonus	Annual bonus may be payable in respect of the period of the bonus year worked by the Director; there is no provision for an amount in lieu of bonus to be payable for any part of the notice period not worked. In determining the amount of any annual bonus to be paid, the Committee will have regard both to the extent to which relevant performance measures have been achieved and to any other circumstances of departure or the Directors' performance which the Committee considers relevant. Unless exceptionally the Committee determines otherwise, the Policy provisions in relation to the deferral of bonuses would be applied. Any annual bonus previously deferred would normally continue to be deferred under the terms of that plan. Deferral of bonus under the Deferred Bonus Plan will normally continue for the deferred period after leaving and will then vest in full but will lapse if the Director has left in circumstances in which their employment could have been terminated without notice. The deferral will vest in full on death.
LTIP	Outstanding share awards under the LTIP normally lapse on leaving employment but are subject to the rules which contain discretionary provisions setting out the treatment of awards where a participant leaves for designated reasons (i.e. participants who leave early on account of injury, disability or ill health, death, a sale of their employer or business in which they were employed, statutory redundancy, retirement or any other reason at the discretion of the Committee). In these circumstances, a participant's awards will not be forfeited on cessation of employment and instead will continue to vest on the normal vesting date or earlier at the discretion of the Committee, subject to the performance conditions attached to the relevant awards. The awards will, other than in exceptional circumstances, be scaled back pro-rata for the period of the incentive term worked by the Director. Performance and circumstance of departure would be assessed by the Remuneration Committee as part of any decision to treat a person as a good leaver and/or to vary pro-rating.
Other payments	In addition to the above payments, the Committee may make any other payments determined by a court of law or to settle any legal claim in respect of the termination of a Director's contract.
Change of control	In the event of a change of control or a demerger, special dividend or other similar event affecting the share price, the Committee shall, in terms of the LTIP in its absolute discretion, determine whether and to what extent an unvested award will vest (taking into account the satisfaction of the performance conditions). The Committee may also decide that the award will vest to a greater or lesser extent having regard to the Director's or the Group's performance or such other factors it may consider appropriate. The Committee may decide that awards will vest pro-rata to take account of early vesting. Alternatively, the award may be exchanged for equivalent awards over shares in an acquiring company.

The date of the Executive Chairman's Service Agreement is 7 February 2021, effective 10 November 2020 and is subject to six months' notice. This Service Agreement is available for inspection by prior appointment at the Company's registered office and will be available for inspection at the AGM.

External Appointments

The Committee recognises that an executive Director may be invited to become a non-executive Director in another company and that such an appointment can enhance knowledge and experience to the benefit of the Group. It is policy that Board approval is required before any external appointment may be accepted by an executive Director. An executive Director would normally be permitted to retain any fees paid for such services. The current executive Directors do not hold any such external appointments in public companies.

Non-Executive Directors' Remuneration Policy and Terms of Engagement

The following table sets out the components of the non-executive Directors' remuneration package.

Element of Pay	Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Criteria
Non-executive Directors' fee	• Set to attract, reward and retain talented individuals through the provision of market competitive fees	• Reviewed periodically by the Board or, if appropriate, in the event of a change in an individual's position or responsibilities • Fee levels set by reference to market rates, taking into account the individual's experience, responsibility and time commitments	• Total non-executive Director fees must be within any limit prescribed by the Company's Articles of Association (currently GBP £750,000) and individual fees will take account of the factors set out in this table. The Board takes into account external market practice, pay increases within the Group, wider economic factors and any changes in responsibilities when determining fee increases	• N/A
Non-executive Directors' benefits	• Travel to the Company's registered office and operational headquarters	• Travel to the Company's registered office and operational headquarters may in some jurisdictions be recognised as a taxable benefit	• Costs of travel, grossed-up where taxable	• N/A

Non-executive Directors are appointed by letter of appointment for an initial period of three years (but are subject to annual re-appointment), which are terminable by three months' notice by the Director or the Company. In relation to a Chairman (where a non-executive appointment), the Company retains flexibility to set a notice period of up to six months.

The dates of the letters of appointment of the non-executive Directors are:

Charbel El Khoury	Non-executive Director	23 August 2021
Hassan Heikal	Non-executive Director and Deputy Chairman	25 November 2020
Jyrki Koskelo	Independent non-executive Director	05 February 2021
Lord Anthony St John of Bletso	Independent non-executive Director	26 May 2021
Haifa Al Mubarak	Independent non-executive Director	10 October 2023

The letters of appointment are available for inspection by prior appointment at the Company's registered office. For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved Policy in force at that time.

Lord Anthony St John of Bletso
Remuneration Committee Chairman
03 April 2024

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2024 AGM. Sections of this report that are subject to audit have been indicated.

Shareholder Voting At AGM

The 2023 Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2024 AGM. Votes cast by proxy and at the 2023 AGM in respect of the Directors' Remuneration Report and at the 2021 AGM the Directors Remuneration Policy was approved with the following results:

Resolution	Votes For	% of Votes For	Votes Against	% of Votes Against	Votes Withheld	Total Votes Cast
To approve the Directors' Remuneration Report for the year ended 31 December 2022	700,501,822	99.48%	3,632,496	0.52%	500	704,134,318
Directors' Remuneration Policy approved at 2021 AGM[1]	394,480,051	90.97%	39,151,228	9.03%	14,539	433,631,279

1 The Directors Remuneration Policy is subject to review every three years.

External Advice Received

In carrying out their responsibilities, the Committee seeks external advice as necessary. In 2023, given the continued extensive engagement with shareholders, the Committee did not seek the advice of external advisors in its deliberations.

Executive Directors' Single Total Figure of Remuneration Earned in 2023 (Audited)

The table below summarises executive Directors' remuneration in respect of 2023.

		Fixed Element of Pay				Pay For Performance				
		Base Salary US$'000	Allowances and Benefits[1] US$'000	End of Service Gratuity[2] US$'000	Subtotal	Annual Bonus[3] US$'000	Long-Term Incentives[4] US$'000	Other US$'000	Subtotal	Total Remuneration US$'000
Executive Chairman Mansour Al Alami[5]	**2023**	**419**	**12**	**24**	**455**	**377**	**–**	**–**	**–**	**832**
	2022	419	12	24	455	–	–	–	–	455

1 Allowances include fixed cash and reimbursable allowances for air travel and transport. Other benefits include accommodation, private medical insurance for the executive and immediate family, death in service insurance and disability insurance. The amounts are shown as per actual expenditures.
2 End of service gratuity is the provision accrued for in the year in accordance with UAE Labour Law. Please refer to page 68 for more information. Pension provision is not a feature of executive Director remuneration packages.
3 Annual bonus for the financial year.
4 Share plans vesting represent the value of LTIP awards where the performance period ends in the year.
5 The remuneration was paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.665.

Performance Against Annual Bonus Targets for 2023 (Audited)

For 2023 the maximum annual bonus opportunity was set at 100% of base salary. The annual bonus was assessed against the following financial objectives which produced a formulaic outcome of 40.9% as set out in the table below.

Measure	Weighting	Performance Range (From Zero to Full Pay-out)	Result	% of Base Salary Payable
EBITDA	30%	Less than US$ 75m – Greater than US$ 88.0m	US$ 87.5m	29.0%
EBITDA margin	15%	Less than 53% – Greater than 60%	57.7%	12.7%
Securing contract % of 2024 budget revenue	15%	Less than 60% – Greater than 85%	82.4%	13.4%
Securing contract % of 2025 budget revenue	15%	Less than 35% – Greater than 55%	57.1%	15.0%
Achieving leverage <4.0 (25%)	25%	After 31 December 2023 – On or before 30 June 2023	Achieved before 30 June 2023	25%
Total	**100%**			**95.1%**

1	EBITDA*	<US$ 75m	US$ 75m–US$ 85m	US$ 85.1m–US$ 88.0m
	Score	0%	0.1–24%*	24.1–30%*
2	EBITDA Margin*	<53%	53–57%	57.1–60.0%
	Score	0%	4.1–12%*	12.1–15%*
3	Securing contracts % of 2023 budget revenue*	<60%	60–80%	80.1–85%
	Score	0%	0.1–12%*	12.1–15%*
4	Securing contracts % of 2024 budget revenue*	<35%	35–50%	50.1–55%
	Score	0%	0.1–12%*	12.1–15%*
5	Achieving leverage < 4.0	After 31 December 2023	Between 1 July – 31 December 2023	On or before 30 June 2023
	Score	0%	15–5%*	25%*

* Zero to full pay-out is not linear as bands operate within the performance ranges shown.

LTIP Awards Vesting for 2023 and Directors' Interests in Share Plan Awards (Audited)

There were no LTIP awards that vested in the year for Directors.

Executive Directors

End of Service Gratuity

As required under UAE Labour Law, the Company accrues for the end of service gratuity entitlement in respect of the Executive Chairman. The gratuity equates to 21 days' base salary (excluding fixed cash allowances) for each year of the first five years of employment and 30 days' wages for each additional year of employment thereafter, up to a limit of two years' total wages.

Director's Pension Entitlement (Audited)

The Company does not operate a pension scheme and accordingly no element of remuneration is pensionable.

Statement of Implementation of Directors' Remuneration Policy in 2023

Base Salary in 2023

	Base Salary from 1 January 2024 US$'000	Base Salary from 1 January 2023 US$'000	% Change
Mansour Al Alami	449	419	7%

Allowances and Benefits for 2023

The cash allowances for 2023 comprise payments to cover costs of transport will be as follows:

	Base Salary from 1 January 2024 US$'000	Base Salary from 1 January 2023 US$'000	% Change
Mansour Al Alami	12	12	0%

Other benefits to be provided directly include accommodation, private medical insurance for the executive Directors and close family in line with local legal requirements, death in service insurance and disability insurance.

Annual Bonus for 2024

For 2024 the maximum bonus opportunity will be 120% of base salary. Any proportion above 100% of salary or otherwise determined by the Remuneration Committee will be deferred into shares under the Deferred Bonus Plan. The annual bonus for the executive Director will be based on Group financial performance, strategic targets and personal objectives weighted as follows (expressed as a percentage of salary):

Measure	Weighting
EBITDA	25%
EBITDA Margin	5%
2024 Secured revenue	20%
2025 Secured revenue	10%
Achieving target leverage	20%
Financing target	15%
Strategic partnership target	5%
Capital market development objectives	10%
Management talent development and succession planning objectives	10%
Total	**120%**

The targets for the annual bonus are considered commercially sensitive because of the competitive nature of the Company's market and will be disclosed in next year's Annual Report.

Non-executive Directors' Single Figure Table (Audited)

	Fees 2023 US$'000	Fees 2022 US$'000	Total Remuneration 2023 US$'000	Total Remuneration 2022 US$'000
Chairman				
Mansour Al Alami	**–**	–	**–**	–
Chairman total	**–**	–	**–**	–
Non-executive Directors[1]				
Rashed Al Jarwan[2]	**36**	62	**36**	62
Hassan Heikal[4]	**–**	–	**–**	–
Jyrki Koskelo	**62**	62	**62**	62
Lord Anthony St John of Bletso	**64**	62	**64**	62
Charbel El Khoury[4]	**–**	–	**–**	–
Haifa Al Mubarak[3]	**12**	–	**12**	–
Non-executive Directors total	**174**	186	**174**	186

1 The non-executive Directors' remuneration is paid in Pound Sterling and reported in US$ using an exchange rate of US$ 1.24/£1 for 2023.
2 Rashed Al Jarwan retired from the Board effective 04 August 2023.
3 Haifa Al Mubarak was appointed to the Board effective 11 October 2023.
4 Hassan Heikal and Charbel El Khoury waived their entitlements to receive a fee for their roles.

Directors' Interests in Ordinary Shares (Audited)

Through participation in performance-linked share-based plans, there is strong encouragement for executive Directors to build and maintain a significant shareholding in the business.

As set out in the existing Directors' Remuneration Policy, from 2019 the Committee requires the CEO to build and maintain an increased shareholding in the Company equivalent to 200% of base salary. The shareholding requirement for other executive Directors was increased to 200% of base salary. Until this requirement is achieved, they are required to retain no less than 50% of the net of tax value of any share award that vests. A new appointment would normally be expected to reach this guideline in three to five years post-appointment. On cessation of employment, executive Directors will be bound by post-employment shareholding requirements, as set out in the existing Directors' Remuneration Policy. The Chairman and non-executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline.

The beneficial interests of the Directors and connected persons in the share capital of the Company at 31 December 2023 were as follows:

	At 31 December 2023	At 31 December 2022	Shareholding Ownership Requirement Met?	Outstanding LTIP Awards
Mansour Al Alami	**2,571,000**	2,571,000	N/A	–
Hassan Heikal	**–**	–	N/A	–
Jyrki Koskelo	**–**	–	N/A	–
Lord Anthony St John of Bletso	**–**	–	N/A	–
Haifa Al Mubarak	**–**	–	N/A	–
Charbel El Khoury	**–**	–	N/A	–
Saeed Mer Abdulla Al Khoory	**–**	–	N/A	–

* Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.

Fees for the Non-Executive Directors (Audited)

The non-executive Directors' remuneration is determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual non-executive Directors do not take part in decisions regarding their own fees. Non-executive Directors receive no other benefits and do not participate in short-term or long-term reward schemes. Hassan Heikal and Charbel El Khoury waived their entitlements to receive a fee for their roles. A summary of the fees is set out below. Please note the fees are determined in Pound Sterling. The non-executive Directors do not have any service contracts with the Company and their services are provided under letters of appointment detailed in the policy report and are terminable on 1 months notice.

	Annual Fee 2023 £'000	Annual Fee 2022 £'000
Independent non-executive Director base fee	**45**	45
Additional fees:		
Senior Independent Director	**5**	5
Audit and Risk Committee Chair	**5**	5
Nomination Committee Chair[1]	**–**	–
Remuneration Committee Chair	**5**	5

1 The Chair of the Nomination Committee is also Executive Chairman and there is no separate pay for this position.

Percentage Change in Remuneration Levels

The table below shows the variance in base salary, allowances and benefits, and bonus for the Executive Chairman in the 2023 financial year, compared to that for employees of the Group as a whole:

Measure	% Change
Executive Chairman	
Base salary	0%
Allowances and benefits	0%
Bonus	100%
All employees	
Base salary	3%
Allowances and benefits	22%
Bonus	100%

Annual Percentage Change in Director and Employee Remuneration

The table below shows the annual percentage change in fixed remuneration of base salary, allowances and benefits of Directors and employees in 2023 compared to 2022 and 2022 compared to 2021:

	2023 Compared to 2022			2022 Compared to 2021		
	Base Salary	Benefits	Annual Bonus	Base Salary	Benefits	Annual Bonus
Mansour Al Alami	0%	0%	100%	0%	-60%	-100%
Rashed Al Jarwan[1]	-42%	N/A	N/A	-16%	N/A	N/A
Jyrki Koskelo	0%	N/A	N/A	0%	N/A	N/A
Lord Anthony St John of Bletso[2]	0%	N/A	N/A	61%	N/A	N/A
Charbel El Khoury[3]	N/A	N/A	N/A	N/A	N/A	N/A
Hassan Heikal[3]	N/A	N/A	N/A	N/A	N/A	N/A
Haifa Al Mubarak[4]	100%	N/A	N/A	N/A	N/A	N/A
Chief Financial Officer[5]	10%	15%	100%	N/A	N/A	N/A
FTEs	3%	22%	100%	4%	12%	-100%

1 Rashed Al Jarwan retired from the Board effective 4 August 2023.
2 Lord Anthony St John of Bletso was appointed to the Board effective 26 May 2021.
3 Charbel El Khoury and Hassan Haikal waived their entitlement to receive a fee for this role.
4 Haifa Al Mubarak was appointed to the Board effective 11 October 2023.
5 Chief Financial Officer joined the Company on 03 February 2022.

Relative Importance of the Spend on Pay

The table below shows overall expenditure on pay in the whole Group in 2023 and 2022 financial years, compared to returns to shareholders through dividends:

	2023 US$'000	2022 US$'000	% Change
Overall expenditure on pay	**30,477**	26,845	14%
Dividends and share buybacks	**–**	–	0%

Committee Remit and Membership

The Terms of Reference of the Committee have been formally adopted by the Board and are available for inspection in the investor relations section of the Company's website. The principal responsibilities of the Committee include:

- setting the strategy, structure and levels of remuneration of our executive Directors and Senior Management;
- ensuring that all remuneration paid to our executive Directors is in accordance with the approved Remuneration Policy; and
- aligning the financial interests of the executive Directors and other management and employees with the achievement of the Group's objectives.

The Committee assists the Board in fulfilling its responsibilities regarding all matters related to remuneration. This includes proposing the Directors' Remuneration Policy for shareholder approval and governing the implementation of the Policy. In addition, the Committee monitors the structure and level of remuneration for the Senior Management team and is aware of pay and conditions in the workforce generally. The Committee also ensures compliance with UK corporate governance good practice.

The composition of the Committee at 31 December 2023 is in compliance with the Code which provides that all members of the Committee should be independent non-executive Directors.

Jyrki Koskelo and I served on the Committee throughout the year, both as independent non-executive Directors. Rashed Al Jarwan served as a member of the Committee until his resignation in August 2023 and he was replaced by Haifa Al Mubarak in December 2023, both being independent non-executive directors.

The Executive Chairman, Charbel El Khoury and the HR team were usually invited to attend for at least part of each meeting to allow the Committee to benefit from their contextual advice. These individuals were not present when the Committee was debating matters concerning themselves. The Company Secretary acts as Secretary to the Committee. The Committee met on two occasions during 2023. Members' attendance at those meetings is shown on page 43. The Committee also held informal discussions as required.

Performance Evaluation of the Committee

The performance of the Committee was evaluated, as part of the overall Board evaluations reported on in the report of the Nomination Committee on page 55.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including the Annual Report on Remuneration and the proposed revised Directors' Remuneration Policy, was approved by the Board on 26 March 2024 for presentation to shareholders at the AGM.

Lord Anthony St John of Bletso
Remuneration Committee Chairman
03 April 2024

This Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 (the Act), 2018 UK Corporate Governance Code (the Code) (publicly available on the Financial Reporting Council website), the Financial Conduct Authority's Listing Rules, and Disclosure and Transparency Rules, contains certain statutory, regulatory and other information.

The Strategic Report on pages 1 to 40 includes reviews of the Group business model and strategy, an indication of likely future developments in the Group, and details of important events since the year ended 31 December 2023.

The Corporate Governance Report on pages 42 to 76 include summaries of the operations of the Board and its Committees, and information regarding the Group's compliance with the Code during 2023.

The Strategic Report and the Corporate Governance Report form part of and are incorporated in this Directors' Report by reference.

Disclosure Requirements of Listing Rule 9.8.4R

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed:

Listing Rule Requirement	Page
Interest capitalised and tax relief	Not applicable
Publication of unaudited financial information	Not applicable
Details of any long-term incentive schemes	Page 68
Waiver of emoluments by a Director	Pages 69
Waiver of future emoluments by a Director	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Directors

The Directors who served during the year are as follows:
Mansour Al Alami
Hassan Heikal
Rashed Al Jarwan (stepped down from the Board on 4 August 2023)
Lord Anthony St John of Bletso
Haifa Al Mubarak (appointed to the Board on 11 October 2023)
Charbel El Khoury
Jyrki Koskelo

Biographical details of the current Directors are set out on pages 44 to 45. The beneficial interests of the Directors and connected persons in the share capital of the Company are set out on page 70 of the Report of the Remuneration Committee.

Powers of Directors

The Directors' powers are determined by UK legislation and our Articles of Association (the Articles), which are available on the Company's website. The Directors may exercise all of the Company's powers provided that the Articles or applicable legislation do not stipulate that any such powers must be exercised by the members (shareholders).

Appointment and Replacement of Directors

Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Members may remove a Director by passing an ordinary resolution of which special notice has been given, in accordance with the Act.

Directors wishing to continue to serve seek re-appointment annually in accordance with provision 18 of the Code. All Directors are being proposed by the Board for reappointment at the forthcoming Annual General Meeting (AGM).

Section 172(1) of the Companies Act 2006

For information on how the Directors have engaged with employees, how they have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, please refer to page 37. Please also refer to pages 8 to 9 in the Strategic Report where GMS' business relationships with suppliers, customers and others are identified, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

A description of the Group's diversity policy is set out on page 37 and forms part of this report by reference.

Amendments to the Articles of Association

The Company may alter its Articles by special resolution passed at a general meeting of shareholders.

Indemnification of Directors

The Company has provided indemnification for Directors in accordance with the Company's Articles and the Act. As far as is permitted by legislation, all Officers of the Company are indemnified out of the Company's own funds against any liabilities and associated costs which they could incur in the course of their duties for the Company, other than any liability to the Company or an associated company.

Change of Control

As at 31 December 2023, the Company was party to the following significant agreements that take effect, alter or terminate, or have the potential to do so, on a change of control of the Company:

Share Incentive Schemes

The Company's share-based employee incentive plans detailed in the Report of the Remuneration Committee on page 58 contain provisions relating to a change of control of the Company. Vesting of outstanding awards and options on a change of control would normally be at the discretion of the Remuneration Committee, which would, where it considered appropriate, take into account the satisfaction of any applicable performance conditions at that time and the expired duration of the relevant performance period.

Operational Contracts

The Group is party to a limited number of operational arrangements that have the potential to be terminated or altered on a change of control of the Company, but these are not considered to be individually significant to the business of the Group as a whole.

Group Banking Facility

Under the terms of the Group's banking facility agreement, if any person or persons, acting in concert, gains control of the Company by owning shares which carry 30% or more of the voting rights of the Company, this may result in the repayment or prepayment of total balances outstanding under the Group banking facility, within 30 days of notification of a change in control.

Share Capital

Details of the Company's issued share capital as at 31 December 2023 can be found in Note 13 to the consolidated financial statements, on page 109. The Company's share capital comprises ordinary shares with a nominal value of 2 pence each, which are listed on the London Stock Exchange.

Holders of ordinary shares are entitled to receive dividends (when declared by the Board or approved by members), receive copies of the Company's Annual Report, attend and speak at general meetings of the Company, appoint proxies and exercise voting rights.

There are no restrictions on the transfer, or limitations on the holding, of ordinary shares and no requirements to obtain approval prior to any transfers. No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders. There are provisions under the Company's Articles with regard to the rights of shareholders and the Company pertaining to ordinary shares.

There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through our share schemes and plans rank equally with the other shares in issue and have no special rights.

At the date of the notice of 2023 AGM the Directors were granted authority to allot up to a maximum aggregate nominal amount of £13,552,194, which was equal to approximately two-thirds of the issued share capital of the Company at that date, in connection with a rights issue. This is a routine authority common amongst listed companies and follows. The Investment Association's share capital management guidelines.

In accordance with the Group's debt agreement, the Company issued warrants to its lenders on 2 January 2023. The warrants if fully exercised, would entitle the Lenders to subscribe for 137,075,773 ordinary shares of 2 pence each in the capital of the Company at an exercise price of 5.75 pence per share. The warrants are exercisable by the lenders at any time until 30 June 2025.

Substantial Shareholders

As at 31 December and as at the date of this report, the Company has been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of voting rights of shareholders of the Company as shown below:

	As at 31 December 2023 Number of Shares	As at 31 December 2023 % of Share Capital	As at 03 April 2024 Number of Shares	As at 03 April 2024 % of Share Capital
Seafox International Limited	304,822,732	29.99%	304,822,732	29.99%
Mazrui Investments LLC	260,180,095	25.60%	260,180,095	25.60%
Castro Investments Ltd	34,378,680	3.38%	34,378,680	3.38%
Mr Ivan Lindsay Brunette	31,033,091	3.04%	31,033,091	3.04%

Risk Management

A description of the main features of the Group's internal control and risk management arrangements in relation to the financial reporting process are set out on pages 12 to 18 and forms part of this report by reference. The Group's financial risk management objectives and policies, including the use of financial instruments, are set out in Note 27 to the consolidated financial statements on pages 114 to 117.

Post Balance Sheet Events

More details can be found in Note 38 to the consolidated financial statements on page 126.

Likely Future Developments

Information in respect of likely future developments in the business of the Company can be found in the Strategic Report on pages 1 to 40 and forms part of this report by reference.

Research and Development

The Group did not undertake any research and development activities during the year (2022: none).

Political Donations

The Group made no political donations and incurred no political expenditure during the year (2022: nil).

The Existence of Branches Outside the UK

The Group has a branch in Qatar.

Employees and Policies

The Group gives full consideration to applications for employment from disabled people where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion opportunities to them wherever appropriate.

Further information on employees and the Company's engagement with them is given in the Strategic Report and Corporate Governance Report on pages 1 to 40 and pages 42 to 76 respectively.

Greenhouse Gas Emissions/Streamlined Energy and Carbon Reporting

Information on the Group's greenhouse gas emissions/Streamlined Energy and Carbon Reporting is set out on pages 35 to 36 and forms part of this report by reference.

Dividends

During 2023, the Board of Directors have approved dividend policy to take effect in future. No dividend is to be paid or proposed for 2023 (2022: nil).

Going Concern

The Directors have assessed the Group's financial position through to June 2025 and hold a reasonable expectation of its ability to continue as going concern for the foreseeable future. With three consecutive years of reported profit and a forecast of continued positive operating cash flows, particularly in light of market outlook, the Group remains well-positioned for sustained success.

During the year, the Group made a repayment of US$ 56.2 million (2022: US$ 51.4 million) towards its borrowings, of which, US$ 26.2 million (2022: US$ 3.8 million) were over and above its contractual obligations, resulting in a reduction in the current ratio. A total of US$ 33.7 million (2022: US$ 3.8 million) was prepaid during 2023. Hence, the Group was in a net current liability position as of 31 December 2023, amounting to US $37.8 million (2022: US$12.6 million). Management closely monitors the Group's liquidity position including focus on the forecasted short-term cash flows which would be sufficient to meet the Group's current liabilities, in particular, the current portion of the bank borrowings which represents the principal repayments due over the next 12 months. The loan prepayments were also made after ensuring that forecasted cash inflows are sufficient to meet the Group's short-term obligations.

The Group is in the process of refinancing its term facility in advance of the bullet payment becoming due in June 2025. Management's ongoing discussions with various lending entities are aimed at securing terms that align with our long-term strategic objectives, ensuring continued financial stability. Given the improved financial performance reported during 2023 and the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve. As such, we are optimistic about the outcome of these negotiations.

The forecast used for assessing going concern reflects management's key assumptions including those around utilisation, and day rates on a vessel-by-vessel basis and refinancing of its term facility during latter half of the coming year. Specifically, these assumptions are:

- average day rates across the fleet to be US$ 34.0k for the 18-months period to 30 June 2025;
- 94% forecast utilisation for the 18-month period to 30 June 2025; and
- pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

A downside case was prepared using the following assumptions:
- no work-to-win during the 18-month period to 30 June 2025;
- 17 percentage points reduction in utilisation for the 18-month period to 30 June 2025; and
- interest rate to remain at current levels instead of a forecasted decline of 25 basis points commencing second quarter of 2024.

Based on the above scenario, the Group would not be in breach of its current term loan facility. The downside case is considered to be severe, but it would still leave the Group with US$ 7.9 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the assessment period.

In addition to the above downside sensitivity, the Directors have also considered a reverse stress test, where EBITDA has been sufficiently reduced to breach the debt covenant. This scenario assumes an increase in operational downtime to 7%, compared to the base case cashflows with a 2.5% operational downtime. The 4.5% increase in operational downtime to the base case for 2024 would result in breach of the Finance Service Cover ratio as at 31 December 2024.

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity. Potential mitigating actions include the vessels off hire for prolonged periods could be cold stacked to minimise operating costs on these vessels which has been factored into the downside case. Additional mitigations could be considered including but not limited to reduction in overhead costs, relaxation/waiver from covenant compliance and rescheduling of repayments with lenders.

Management is aware of the broader operating context and acknowledges the potential impact of climate change on the Group's financial statements. However, it is anticipated that the effect of climate change will be negligible during the going concern assessment period.

After considering reasonable risks and potential downsides, the Group's forecasts suggest that its bank facilities, combined with increased utilisation at higher day rates and a pipeline of near-term opportunities for additional work, will provide sufficient liquidity to meet its needs in the foreseeable future. Accordingly, the consolidated financial statements for the Group for the year ended 31 December 2023 have been prepared on a going concern basis.

Statement on Disclosure to the External Auditor

Each of the Directors of the Company at the time when this report was approved confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given in accordance with Section 418(2) of the Act.

Re-appointment of External Auditor

KPMG, the Group's external auditor, have indicated their willingness to continue in office and in accordance with Section 489 of the Act, a resolution to re-appoint them will be put to the 2024 AGM.

Annual General Meeting

Details of the Company's 2024 AGM are included in the Notice of AGM accompanying this Annual Report. The Notice of AGM sets out the business of the meeting and includes an explanation of all resolutions to be proposed. Separate resolutions will be proposed in respect of each substantive issue. The AGM is also used by the Board to take account of views expressed by shareholders and proxy bodies at and following AGMs, updating future proposals as and when appropriate.

By order of the Board.

Tony Hunter
Company Secretary
03 April 2024

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that year.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that year.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the board

Mansour Al Alami
Executive Chairman
03 April 2024

Jyrki Koskelo
Independent non-executive Director
03 April 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GULF MARINE SERVICES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Gulf Marine Services PLC ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2023 set out on pages 84 to 137, which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated statement of cash flows and related notes, including the material accounting policies set out in note 3.

The financial reporting framework that has been applied in the preparation of the Group financial statements is UK Law, UK adopted international accounting standards and, as regards the Company financial statements, UK Law and UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at December 31, 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 15 August 2022. The period of total uninterrupted engagement is for the 2 financial years ended December 31, 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with UK ethical requirements, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and evaluating management's cash flow projections and challenging each key assumption applied through:
  - comparing forecast day rates to signed contracts for contracted periods, and challenging the basis adopted for day rates elsewhere in the calculations;
  - performing retrospective analysis of management's historic budgeting accuracy and comparing historical forecast revenues and costs to actuals;
  - assessing whether other assumptions used in management's forecasts including operating expenditure, capital expenditure and working capital assumptions are reasonable;
  - making enquiries of management as to its knowledge of events or conditions and related business risks beyond the period of assessment used by management (12 months from the date of approval of the financial statements) that may cast significant doubt on the Group's and Company's ability to continue as a going concern;
  - assessing whether management has appropriately reflected impacts arising from climate change, energy transition, the Russia-Ukraine war and the conflict in Gaza in the going concern period;
  - challenging the appropriateness of downside and stress test scenarios in order to assess the reasonableness of the assumptions included;
  - challenging management regarding the status of the contract pipeline and the likelihood and timing of contract awards;
- Recalculating the covenant ratios in accordance with the term loan facility to determine whether any breaches of those covenants exist in the forecast cash flows;
- Testing the mathematical accuracy of the cash flow model used by management to prepare the forecasts and resulting covenant calculations;
- Determining whether the cash flow projections are consistent with those used in the Group's assessment of the recoverability of the carrying value of its marine vessels and substantiating any differences;
- Assessing the status of refinancing by reviewing the correspondance with the lenders and related documents; and
- Assessing the related disclosures in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors , the Audit and Risk Committee, and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors , the Audit and Risk committee regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Inspecting the Group's regulatory and legal correspondence.
- Reading Board/ Audit and Risk Committee meeting minutes.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: UK Companies Act, Listing Rules and tax legislation recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we identified actual or suspected non-compliance and considered the effect as part of out procedures on the related financial statement items.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We identified fraud risks in relation to the Group charter hire revenue and assessment of the recoverability of the carrying value of the Group's marine vessels.

Further detail in respect of Charter hire revenue and Impairment of vessels is set out in the key audit matter disclosures in this report.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Evaluating the business purpose of significant unusual transactions;
- Assessing significant accounting estimates for bias; and
- Assessing the disclosures in the financial statements.

As the Company is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Company operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from (2022)):

Key audit matters

Impairment and Impairment Reversals of the Group's Vessels (net Reversal: US$ 33.4 million) (2022: US$ 7.8 million) and Company's Investment in Subsidiary (reversal US$ 120 million (2022: US$ 18.8 million)).

Refer to page 94 (Group accounting policy) and pages 100 to 104 (Group financial disclosures), page 130 (Parent Company accounting policy) and pages 132 to 133 (Parent Company financial disclosures).

The key audit matter

The Group's vessels are the largest balance in the Group financial statements, with a carrying amount of US$ 562.2 million at 31 December 2023 (2022: US$ 549.7 million).

As described in Note 5 certain factors, such as the improvement in day rates, utilisation and the market outlook underpinned by an increased oil price and production environment were indications that the value of the marine vessels may have increased as of 31 December 2023 compared to 31 December 2022, whilst an increased interest rate environment during this period might result in the reduction of those values. As a result of these triggering events, the Group undertook an assessment of the recoverability of the carrying value of its marine vessels as of 31 December 2023. This assessment involved comparing the carrying value of each vessel, which is deemed by the Group to be an individual cash generating unit ('CGU'), with its respective recoverable amount, being the higher of value in use ('VIU') and fair value less cost to sell. Following this assessment the Group recognised a net impairment reversal of US$ 33.4 million in the year ended 31 December 2023 for its vessels.

As with the prior year, a fair valuation was conducted in compliance with Group's bank lending arrangements of the Group's marine vessels as at 31 December 2023. As described in Note 4, management concluded that recoverable amount of each vessel should be based on VIU. The calculation of VIU is underpinned by assumptions, notably day and utilisation rates and the nominal pre-tax discount rate. As disclosed in Note 4, these assumptions, particularly the respective vessel' day and utilisation rates beyond their contracted term, are identified as key sources of estimation uncertainty and judgement.

Due to the sensitivity of the recoverable amounts to these key assumptions and the subjectivity and judgement involved impacting the net impairment reversal in the current year, we identified a key audit matter relating to these assumptions with regard to the Group's vessels. Furthermore, we also identified a potential for management bias through possible manipulation of these assumptions and the resulting recoverable amount.

The carrying amount of Company's investment in its subsidiaries represents 80% (2022: 78%) of the Company's total assets. The recoverability of investments is primarily impacted by the VIU of the marine vessels owned by the Company's subsidiary undertakings.

For the reasons outlined above the engagement team determine this matter to be a key audit matter.

How the matter was addressed in our audit

Our key audit procedures are described below.

- We obtained an understanding of the relevant control surrounding management's preparation of the discounted cash flow model (VIU), including the assumed day and utilisation rates and the rate applied to discount the cash flows;
- We tested by enquiry, the reasonableness of the valuation methodology and key assumptions underpinning the fair value less cost to sell of the Group's vessels as of 31 December 2023 reported by the external valuer appointed by the Group's lending banks. We also assessed for reasonableness of the competence, capabilities and objectivity of that expert;

With respect to the VIU model, we:

- tested its mathematical accuracy
- challenged the reasonableness of the assumed day and utilisation rates by reading contracts for secured backlog, assessing likelihood of current pipeline opportunities by inspecting underlying evidence such as tender documents and corroborating these key assumptions through enquires of the Group's commercial management team, and considering the historical rates achieved for individual vessels to assess whether forward looking assumptions are within a reasonable range;
- inspected the report on forecast day and utilisation rates indicated by an external assessor for the Group's marine vessels, particularly with respect to those rates beyond the respective vessels' contracted terms and also discussed these key assumptions with that external assessor as part of our procedures to assess these assumptions for reasonableness.

We also undertook procedures to assess the external assessor's independence, competence and capabilities for the purpose of providing its report;

- involved our specialist to assess the reasonableness of the rate applied to discount the forecast cash flows to their present value;
- agreed the operating and capital expenses assumed in the model to the Group's approved budget and assessed the reasonableness of these assumptions by performing a retrospective budget versus actual analysis to gauge management's historical forecasting accuracy and analytically reviewing forecast costs against historical levels;
- Considering the procedures above, we performed an overall stand back assessment to determine whether management's VIU estimate was reasonable and assessed whether there was any evidence of management bias with respect to its VIU calculations;

Key audit matters continued

The key audit matter	How the matter was addressed in our audit
	• We assessed the impact of the Group's stated commitments around climate change and energy transition on its assumed cash flow projections. We also considered the existence of any contradictory evidence that was identified through the performance of each of these procedures and weighed such evidence in our overall conclusions. Such evidence included the relevant long-term outlook from external industry and market observers; and • We assessed the adequacy and reasonableness of the related disclosures in the financial statements in accordance with relevant accounting standards, including the Group vessels' sensitivities to future impairment/impairment reversals and the Parent Company's sensitivity to future impairment/ impairment reversals. Based on evidence obtained, we found that the Group's recognition of a net impairment reversal of $33.4 million as of 31 December 2023, and the calculations underpinning it and the related disclosures in note 5 was reasonable. We noted that the Group's carrying value of its marine vessels continues to be sensitive to further impairment or impairment reversal subject to changes in assumed day and utilisation rates and the rate applied to arrive at each vessels' VIU, as described in note 5, and that this assessment is subject to significant estimation and judgement, as described in note 4. We found that the parent Company's investment in subsidiaries and the related impairment reversal to be acceptable. We identified that management's controls throughout the process of preparing and reviewing the value in use calculations, were not sufficiently robust to identify errors in the overall assessment. We consider our audit procedures appropriately responded to the control deficiencies identified.

Recognition of Charter Hire and Lease Revenue of Group: US$ 133 Million (2022: US$ 115 million)

Refer to page 92 (accounting policy) and page 123 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Each of the Group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as a standby rate for when the vessel is available for use but not operational. As disclosed in the accounting policies in Note 3, revenue is recognised over the term of the contract for certain performance obligations. Accordingly, in order for revenue to be recorded appropriately, management must: • accurately record the number of days both on hire and on standby (to ensure both completeness and accuracy); • apply the correct contractual rates, net of any agreed discounts, to the number of days in each of these categories (to ensure accuracy); and • ensure there is an appropriate process for reviewing all contracts in place to ensure contractual terms are accounted for in line with both the lessor accounting requirements of IFRS 16 (given the required allocation under IFRS 16 to leasing revenue for hired equipment on board) and the revenue recognition principles of IFRS 15. Due to the significant variability in contract terms by vessel and by counterparty, and the potential for management bias to record higher revenues given it is a key performance indicator for the Group, the engagement team determine the accurate recording of charter hire revenue (and by extension, lease revenue) to be a key audit matter.	Our key audit procedures are described below. We evaluated and tested the design and operating effectiveness of the relevant control in the revenue business process; We performed a recalculation of charter hire revenue on the number of days on hire/standby based on customer/third party signed logs and obtained supporting explanations for any gaps and reconciled this to our knowledge of each vessel's operational performance during the period; We agreed the respective marine vessel day rates and terms of hire to the underlying contracts; We inspected a selection of journals to assess for any evidence of fraudulent revenue recognition; and We performed a reconciliation of total billings and total cash receipts during the year, along with year on year movements in revenue related balance to obtain additional high level audit evidence around the completeness, existence and accuracy of revenue recognition. • Based on the above audit procedures we did not find any material uncorrected error in the Group's calculation of charter hire revenue.

Our application of materiality and an overview of the scope of our audit

Materiality for the Group and Company financial statements was set at US$ 1.2 million (2022: US$ 1 million) and US$ 1.2 million (2022:US$ 1 million) respectively, determined with reference to a benchmark of total Group revenues and Company total assets (of which it represents 0.8% (2022: 0.75%) and 0.26% (2022: 0.32%) respectively.

Performance materiality for the Group financial statements and Company financial statements as a whole was set at 65% of materiality (2022: 65%) US$ 0.78 million (2022: US$ 0.65 million) and US$ 0.78 million (2022: US$ 0.65 million) respectively. We applied this percentage in our determination of performance materiality based on the level of identified misstatements/control deficiencies/changes in the control environment during the prior period.

We consider total revenue to be the most appropriate benchmark for the Group financial statements as it provides a more stable measure year on year than group profit before tax.

We consider total assets to be the most appropriate benchmark for the Parent Company's financial statements as the primary nature of the Parent Company is to hold investments in subsidiaries.

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding US$ 60,000 (2022: US$ 50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We applied Group and Parent company's performance materiality to assist us determine what risks were significant risks for the Group and Parent company respectively.

Our audit was conducted to the materiality levels specified above and was performed by the engagement team in Dublin with the assistance of the Abu Dhabi office.

We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report, the governance section of the annual report, the glossary, the other definitions and the corporate information. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Strategic report and directors' report

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the strategic report and the directors' report is consistent with the financial statements;
- in our opinion, the strategic report and the directors' report have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 74 to 75;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 74 to 75;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 74 to 75;
- Directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on page 76;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on pages 12 to 18;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 52; and
- Section describing the work of the Audit and Risk committee set out on pages 51 to 53.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

We are also required to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in these respects.

We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 76, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Terence Coveney, (Senior Statutory Auditor)
for and on behalf of
KPMG, Statutory Auditor
1 Harbourmaster Place
IFSC,
Dublin 1
D01 F6F5

03 April 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
Revenue	30,33	**151,603**	133,157
Cost of sales		**(81,987)**	(78,587)
Impairment loss of property and equipment	5,30	**(3,565)**	(13,192)
Reversal of impairment of property and equipment	5,30	**36,993**	20,980
Expected credit losses	9	**(207)**	(1,824)
Gross profit		**102,837**	60,534
General and administrative expenses		**(14,645)**	(13,212)
Operating profit		**88,192**	47,322
Finance income	34	**221**	11
Impact of change in fair value of warrants	11	**(11,077)**	(2,481)
Finance expense	35	**(31,431)**	(17,656)
Foreign exchange loss, net	36	**(987)**	(138)
Other income		**12**	68
Profit for the year before taxation		**44,930**	27,126
Taxation charge for the year	8	**(2,862)**	(1,724)
Net profit for the year		**42,068**	25,402
Other comprehensive income/(expense) – items that may be reclassified to profit or loss:			
Net hedging gain reclassified to the profit or loss	35	**279**	279
Net exchange gain/(loss) on translation of foreign operations		**343**	(799)
Total comprehensive income for the year		**42,690**	24,882
Profit attributable to:			
Owners of the Company		**41,342**	25,326
Non-controlling interests	19	**726**	76
		42,068	25,402
Total comprehensive income attributable to:			
Owners of the Company		**41,964**	24,806
Non-controlling interests	19	**726**	76
		42,690	24,882
Earnings per share:			
Basic (cents per share)	32	**4.07**	2.49
Diluted (cents per share)	32	**3.92**	2.47

All results are derived from continuing operations in each year. There are no discontinued operations in either year.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Property and equipment	5	**606,412**	592,955
Dry docking expenditure	6	**11,204**	8,931
Right-of-use assets	7	**3,347**	3,371
Total non-current assets		**620,963**	605,257
Current assets			
Trade receivables	9	**30,646**	33,179
Prepayments, advances and other receivables	10	**8,057**	7,722
Derivative financial instruments	11	**–**	386
Cash and cash equivalents	12	**8,666**	12,275
Total current assets		**47,369**	53,562
Total assets		**668,332**	658,819
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital – Ordinary	13	**30,117**	30,117
Capital redemption reserve	13	**46,445**	46,445
Share premium account	13	**99,105**	99,105
Restricted reserve	14	**272**	272
Group restructuring reserve	15	**(49,710)**	(49,710)
Share based payment reserve	16	**–**	3,632
Capital contribution	17	**9,177**	9,177
Cash flow hedge reserve	11	**–**	(279)
Translation reserve		**(2,542)**	(2,885)
Retained earnings		**194,703**	149,712
Attributable to the owners of the Company		**327,567**	285,586
Non-controlling interest	19	**2,714**	1,988
Total equity		**330,281**	287,574
Current liabilities			
Trade and other payables	21	**35,054**	27,979
Current tax liability		**7,032**	6,321
Bank borrowings – scheduled repayments within one year	22	**41,500**	30,000
Lease liabilities	23	**1,623**	1,845
Derivative financial instruments	11	**14,275**	3,198
Total current liabilities		**99,484**	69,343
Non-current liabilities			
Provision for employees' end of service benefits	20	**2,395**	2,140
Bank borrowings – scheduled repayments more than one year	22	**234,439**	298,085
Lease liabilities	23	**1,733**	1,677
Total non-current liabilities		**238,567**	301,902
Total liabilities		**338,051**	371,245
Total equity and liabilities		**668,332**	658,819

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 03 April 2024. Registered Company 08860816. They were signed on its behalf by:

Jyrki Koskelo
Independent non-executive Director

Mansour Al Alami
Executive Chairman

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital – Ordinary US$'000	Share capital – Deferred US$'000	Capital redemption reserve US$'000	Share premium account US$'000	Restricted reserve US$'000	Group restructuring reserve US$'000	Share based payment reserve US$'000	Capital contribution US$'000	Cash flow hedge reserve US$'000	Translation Reserve US$'000	Retained earnings US$'000	Attributable to the owners of the Company US$'000	Non-controlling interest US$'000	Total equity US$'000
At 1 January 2022	30,117	46,445	–	99,105	272	(49,710)	3,648	9,177	(558)	(2,086)	124,386	260,796	1,912	262,708
Profit for the year	–	–	–	–	–	–	–	–	–	–	25,326	25,326	76	25,402
Other comprehensive income for the year														
Net hedging gain on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	–	–	279	–	–	279	–	279
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	(799)	–	(799)	–	(799)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	279	(799)	25,326	24,806	76	24,882
Transactions with owners of the Company														
Capital reorganisation (Note 13)	–	(46,445)	46,445	–	–	–	–	–	–	–	–	–	–	–
Share based payment charge	–	–	–	–	–	–	45	–	–	–	–	45	–	45
Cash settlement of share-based payments	–	–	–	–	–	–	(61)	–	–	–	–	(61)	–	(61)
Total transactions with owners of the Company	–	(46,445)	46,445	–	–	–	(16)	–	–	–	–	(16)	–	(16)
At 31 December 2022	30,117	–	46,445	99,105	272	(49,710)	3,632	9,177	(279)	(2,885)	149,712	285,586	1,988	287,574
Profit for the year	–	–	–	–	–	–	–	–	–	–	41,342	41,342	726	42,068
Other comprehensive income for the year														
Net hedging gain on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	–	–	279	–	–	279	–	279
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	343	–	343	–	343
Total comprehensive income for the year	–	–	–	–	–	–	–	–	279	343	41,342	41,964	726	42,690
Transactions with owners of the Company														
Share based payment charge	–	–	–	–	–	–	17	–	–	–	–	17	–	17
Transfer of share option reserve	–	–	–	–	–	–	(3,649)	–	–	–	3,649	–	–	–
Total transactions with owners of the Company	–	–	–	–	–	–	(3,632)	–	–	–	3,649	17	–	17
At 31 December 2023	**30,117**	**–**	**46,445**	**99,105**	**272**	**(49,710)**	**–**	**9,177**	**–**	**(2,542)**	**194,703**	**327,567**	**2,714**	**330,281**

Refer to *Notes 13 to 19* for description of each reserve.

The attached Notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
Operating activities			
Profit for the year		**42,068**	25,402
Adjustments for:			
Depreciation of property and equipment	5	**24,297**	23,695
Finance expenses	35	**31,431**	17,656
Impact of change in fair value of warrants	11	**11,077**	2,481
Amortisation of dry-docking expenditure	6	**4,687**	5,613
Depreciation of right-of-use assets	7	**3,188**	2,635
Income tax expense	8	**2,862**	1,724
Net charge of expected credit losses	9	**207**	1,825
End of service benefits charge	20	**723**	270
Impairment loss	5	**3,565**	13,192
Reversal of impairment	5	**(36,993)**	(20,980)
End of service benefits paid	20	**(468)**	(452)
Share-based payment charge	16	**–**	45
Interest income	34	**(221)**	(11)
Other income		**(12)**	(68)
Cash flows from operating activities before movement in working capital		**86,411**	73,027
Changes in:			
– trade and other receivables		**2,003**	5,610
– trade and other payables		**8,140**	5,005
Cash generated from operations		**96,554**	83,642
Taxation paid		**(2,151)**	(1,077)
Net cash generated from operating activities		**94,403**	82,565
Investing activities			
Payments for additions of property and equipment		**(3,459)**	(3,345)
Dry docking spend excluding drydock accruals		**(9,550)**	(2,970)
Interest received		**221**	11
Net cash used in investing activities		**(12,788)**	(6,304)
Financing activities			
Repayment of bank borrowings	37	**(56,174)**	(51,445)
Interest paid on bank borrowings		**(27,428)**	(17,525)
Principal elements of lease payments	37	**(3,330)**	(2,524)
Settlement of derivatives	37	**327**	(384)
Payment of issue costs on bank borrowings		**(374)**	(148)
Interest paid on leases	37	**(245)**	(170)
Cash settled share-based payments		**–**	(61)
Bank borrowings received	37	**2,000**	–
Net cash used in financing activities		**(85,224)**	(72,257)
Net (decrease)/increase in cash and cash equivalents		**(3,609)**	4,004
Cash and cash equivalents at the beginning of the year		**12,275**	8,271
Cash and cash equivalents at the end of the year	12	**8,666**	12,275
Non-cash transactions			
Cancellation of deferred shares		**–**	(46,445)
Recognition of right-of-use assets		**3,231**	3,122
Addition/(reversal) to capital accruals		**867**	(9)
Increase in drydock accruals		**2,590**	2,775

The attached Notes 1 to 39 form an integral part of these consolidated financial statements.

1 General Information

Gulf Marine Services PLC ("GMS" or "the Company") is a company which is limited by shares and is registered and incorporated in England and Wales on 24 January 2014. The Company is a public limited company with operations mainly in the Arabian Peninsula region and Europe. The address of the registered office of the Company is 107 Hammersmith Road, London, United Kingdom, W14 0QH. The registered number of the Company is 08860816. The shareholder pattern of the Group is disclosed on the page 73.

The principal activities of GMS and its subsidiaries (together referred to as "the Group") are chartering and operating a fleet of specially designed and built vessels. All information in the notes relate to the Group, not the Company unless otherwise stated.

The Company and its subsidiaries are engaged in providing self-propelled, self-elevating support vessels, which provide a stable platform for delivery of a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities and which are capable of operations in the Arabian Peninsula, Europe and other regions.

2 Adoption of new and revised International Financial Reporting Standards (IFRS)

The accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective as at 1 January 2023.

New and revised IFRSs

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 *Accounting Policies Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 12 *International tax reform* – Pillar two model rules	23 May 2023

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised IFRSs were in issue but not yet effective:

	Effective for annual periods beginning on or after
Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*	1 January 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21 Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Optional

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and the impact of adoption of these new standards, interpretations and amendments is currently being assessed on the consolidated financial statements of the Group before the period of initial application.

3 Material Accounting Policies

The Group's material accounting policies adopted in the preparation of these consolidated financial statements are set out below. Except as noted in Note 2, these policies have been consistently applied to each of the years presented. During the year we amended the presentation of the change in fair value of the warrants in the consolidated statement of profit or loss and other comprehensive income to provide better information to the users of the consolidated financial statements. Please see note 39 for further information.

Statement of compliance

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Going concern

The Directors have assessed the Group's financial position through to June 2025 and hold a reasonable expectation of its ability to continue as going concern for the foreseeable future. With three consecutive years of reported profit and a forecast of continued positive operating cash flows, particularly in light of the market outlook, the Group remains well-positioned for sustained success.

During the year, the Group made a repayment of US$ 56.2 million (2022: US$ 51.4 million) towards its borrowings, of which, US$ 26.2 million (2022: US$ 3.8 million) were over and above its contractual obligations, resulting in a reduction in the current ratio. A total of US$ 33.7 million (2022: US$ 3.8 million) was prepaid during 2023. Hence, the Group was in a net current liability position as of 31 December 2023, amounting to US $52.1 million (2022: US$15.8 million). Management closely monitors the Group's liquidity position including focus on the forecasted short-term cash flows which would be sufficient to meet the Group's current liabilities, including the current portion of the bank borrowings which represents the principal repayments due over the next 12 months. The loan prepayments were also made after ensuring that forecasted cash inflows are sufficient to meet the Group's short-term obligations.

The Group also has a revolving working capital facility which amounts to US$ 40.0 million (31 December 2022: US$ 45.0 million). US$ 25.0 million (31 December 2022: US$ 25.0 million) of the working capital facility is allocated to performance bonds and guarantees and US$ 15.0 million (31 December 2022: US$ 20 million) is allocated to funded portion, of which US$ 2.0 million was utilised as of 31 December 2023, leaving US$ 13.0 million available for drawdown (31 December 2022: US$ 20.0 million). The working capital facility expires alongside the main debt facility in June 2025.

The Group is in the process of refinancing its term facility in advance as the bullet payment becomes due in June 2025. Management's ongoing discussions with various lending entities are aimed at securing terms that align with our long-term strategic objectives, ensuring continued financial stability. Given the improved financial performance reported during 2023 and the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve. As such, we are optimistic about the outcome of these negotiations.

The forecast used for Going Concern reflects management's key assumptions including those around utilisation, vessel day rates on a vessel-by-vessel basis and refinancing of its term facility during latter half of the coming year. Specifically, these assumptions are:
- average day rates across the fleet are assumed to be US$ 34.0k for the 18-month period to 30 June 2025;
- 94% forecast utilisation for the 18-month period to 30 June 2025;
- pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

A downside case was prepared using the following assumptions:
- no work-to-win during the 18-months period to 30 June 2025;
- 17 percentage points reduction in utilisation for the 18-months period to 30 June 2025;
- interest rate to remain at current levels instead of a forecasted decline of 25 basis points commencing second quarter of 2024.

Based on the above scenario, the Group would not be in breach of its current term loan facility. The downside case is considered to be severe, but it would still leave the Group with US$ 7.9 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the assessment period.

In addition to the above downside sensitivity, the Directors have also considered a reverse stress test, where EBITDA has been sufficiently reduced to breach debt covenant. This scenario assumes a substantial increase in operational downtime to 7%, compared to the base case cashflows with a 2.5% operational downtime. The significant increase in operational downtime for 2024 would result in breach of the Finance Service Cover ratio as at 31 December 2024.

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity. Potential mitigating actions include the vessels off hire for prolonged periods could be cold stacked to minimise operating costs on these vessels which has been factored into the downside case. Additional mitigations could be considered including but not limited to reduction in overhead costs, relaxation/waiver from covenant compliance and rescheduling of repayments with lenders.

Management is aware of the broader operating context and acknowledges the potential impact of climate change on the Group's consolidated financial statements. However, it is anticipated that the effect of climate change will be negligible during the going concern assessment period.

After considering reasonable risks and potential downsides, the Group's forecasts suggest that its bank facilities, combined with increased utilization at higher day rates and a pipeline of near-term opportunities for additional work, will provide sufficient liquidity to meet its needs in the foreseeable future. Accordingly, the consolidated financial statements for the Group for the year ended 31 December 2023 have been prepared on a going concern basis.

3 Material Accounting Policies continued

Basis of consolidation

These consolidated financial statements incorporate the financial statements of GMS and subsidiaries controlled by GMS. The Group has assessed the control which GMS has over its subsidiaries in accordance with IFRS 10 Consolidated Financial Statements, which provides that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Details of GMS's subsidiaries at 31 December 2023 and 2022 are as follows:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest		Type of Activity
			2023	2022	
Gulf Marine Services W.L.L.	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	Marine Contractor
Gulf Marine Services W.L.L. – Qatar Branch	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	Marine Contractor
GMS Global Commercial Invt LLC	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	General Investment
Gulf Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamriyah Free Zone, Sharjah	**100%**	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	King Fahad Road, Al Khobar, Eastern Province, P.O. Box 31411 Kingdom Saudi Arabia	**75%**	75%	Operator of offshore barges
Gulf Marine Services LLC	Qatar	41 Floor, Tornado Tower, West Bay, Doha, Qatar, POB 6689	**100%**	100%	Marine Contractor
Gulf Marine Services (UK) Limited	United Kingdom	c/o MacKinnon's, 14 Carden Place, Aberdeen, AB10 1UR	**100%**	100%	Operator of offshore barges
GMS Jersey Holdco. 1* Limited	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General Investment
GMS Jersey Holdco. 2 Limited	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General Investment
Offshore Holding Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Holding Company
Offshore Accommodation Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Dormant
Offshore Jack-up Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Kamikaze"
Offshore Structure Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Kikuyu"
Offshore Craft Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "GMS Endeavour"

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2023	2022	Type of Activity
Offshore Maritime Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Dormant
Offshore Tugboat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Dormant
Offshore Boat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Endurance"
GMS Enterprise Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Enterprise"
GMS Sharqi Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Sharqi"
GMS Scirocco Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Scirocco"
GMS Shamal Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Shamal"
GMS Keloa Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Keloa"
GMS Pepper Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Pepper"
GMS Evolution Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Evolution"
GMS Phoenix Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Dormant
Mena Marine Limited**	Cayman Islands	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	**0%**	100%	General investment and trading
Gulf Marine Services (Asia) Pte. Limited	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	**100%**	100%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Limited – Qatar branch	Qatar	22 Floor, Office 22, Tornado Tower, Majilis Al Tawoon Street, P.O. Box 27774, Doha, Qatar	**100%**	100%	Operator of offshore barges

* Held directly by Gulf Marine Services PLC.
** The subsidiary wound up on 29 December 2023.

3 Material Accounting Policies continued

Basis of consolidation continued

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group. Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Fair value is determined as the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Revenue recognition

The Group recognises revenue from contracts with customers as follows:

- Charter revenue;
- Lease income;
- Revenue from messing and accommodation services;
- Manpower income;
- Maintenance income;
- Contract mobilisation revenue;
- Contract demobilisation revenue; and
- Sundry income.

Revenue is measured as the fair value of the consideration received or receivable for the provision of services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes excluding amounts collected on behalf of third parties. Revenue is recognised when control of the services is transferred to the customer.

Consequently, revenue for the provision of services is recognised either:

- Over time during the period that control incrementally transfers to the customer and the customer simultaneously receives and consumes the benefits. The Group has applied the practical expedient and recognises revenue over time in accordance with IFRS 15 i.e. the amount at which the Group has the right to invoice clients.
- Wholly at a single point in time when GMS has completed its performance obligation.

Revenue recognised over time

The Group's activities that require revenue recognition over time includes the following performance obligation:

Performance obligation 1 – Charter revenue, contract mobilisation revenue, revenue from messing and accommodation services, and manpower income

Chartering of vessels, mobilisations, messing and accommodation services and manpower income are considered to be a combined performance obligation as they are not separately identifiable and the Group's clients cannot benefit from these services on their own or together with other readily available resources. This performance obligation, being the service element of client contracts, is separate from the underlying lease component contained within client contracts which is recognised separately.

Revenue is recognised for certain mobilisation related reimbursable costs. Each reimbursable item and amount is stipulated in the Group's contract with the customer. Reimbursable costs are included in the performance obligation and are recognised as part of the transaction price, because the Group is the primary obligor in the arrangement, has discretion in supplier selection and is involved in determining product or service specifications.

Performance obligation 2 – Sundry income
Sundry income that relates only specifically to additional billable requirements of charter hire contracts are recognised over the duration of the contract. For the component of sundry income that is not recognized over time, the performance obligation is explained below.

Revenue recognised at a point in time

The Group's activities that require revenue recognition at a point in time include the following performance obligations.

Performance obligation 1 – Contract demobilisation revenue
Lump-sum fees received for equipment moves (and related costs) as part of demobilisations are recognised when the demobilisation has occurred at a point in time.

Performance obligation 2 – Sundry income
Includes in Sundry income are handling charges, which are applied to costs paid by the Group and then recharged to the customer. The revenue is recognised when the costs are recharged to customers as this is when the performance obligation is fulfilled and control has passed to the customer.

Deferred and Accrued Revenue

Clients are typically billed on the last day of specific periods that are contractually agreed upon. Where there is delay in billing, accrued revenue is recognised in trade and other receivables for any services rendered where clients have not yet been billed (see *Note 9)*.

As noted above, lump sum payments are sometimes received at the outset of a contract for equipment moves or modifications. These lump sum payments give rise to deferred revenue in trade and other payables (see *Note 21*).

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for certain short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Low value assets have a low value purchase price when new, typically $5,000 or less, and include items such as tablets and personal computers, small items of office furniture and telephones. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Leases of operating equipment linked to commercial contracts are recognised to match the length of the contract even where the contract term is less than 12 months.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. This is the rate that would be available on a loan with similar conditions to obtain an asset of a similar value.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3 Material Accounting Policies continued

Leases continued

There were no such remeasurements made during the year (2022: nil).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group's contracts with clients contain an underlying lease component separate to the service element. These leases are classified as operating leases and the income is recognised on a straight line basis over the term of the lease.

The Group applies IFRS 15 to allocate consideration under each component based on its standalone selling price. The standalone selling price of the lease component is estimated using a market assessment approach by taking the market rate, being the contract day rate and deducting all other identifiable components, creating a residual amount deemed to be the lease element.

Property and equipment

Property and equipment is stated at cost which includes capitalised borrowing costs less accumulated depreciation and accumulated impairment losses (if any). The cost of property and equipment is their purchase cost together with any incidental expenses of acquisition. Subsequent expenditure incurred on vessels is capitalised where the expenditure gives rise to future economic benefits in excess of the originally assessed standard of performance of the existing assets.

The costs of contractual equipment modifications or upgrades to vessels that are permanent in nature are capitalised and depreciated in accordance with the Group's fixed asset capitalisation policy. The costs of moving equipment while not under contract are expensed as incurred.

Depreciation is recognised so as to write-off the cost of property and equipment less their estimated residual values over their useful lives, using the straight-line method. The estimated residual values of vessels and related equipment are determined taking into consideration the expected scrap value of the vessel, which is calculated based on the weight and the market rate of steel at the time of asset purchase.

If the price per unit of steel at the balance sheet date varies significantly from that on date of purchase, the residual value is reassessed to reflect changes in market value.

The estimated useful lives used for this purpose are:

Vessels*	35 years
Vessel spares, fittings and other equipment*	3 – 20 years
Others**	3 – 5 years

* Depreciation of these assets is charged to cost of sales.
** Depreciation of these assets is charged to general and administrative expenses.

Taking into consideration independent professional advice, management considers the principal estimated useful lives of vessels for the purpose of calculating depreciation to be 35 years from the date of construction of the vessel.

The estimated useful life depends on the type and nature of the vessel. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised within administrative expenses in the profit or loss. The depreciation charge for the year is allocated between cost of sales and administrative expenses, depending on the usage of the respective assets.

Dry docking
Dry docking costs are costs of repairs and maintenance incurred on a vessel to ensure compliance with applicable regulations and to maintain certification for vessels. The cost incurred for periodical dry docking or major overhauls of the vessels are identified as a separate inherent component of the vessels. These costs depreciate on a straight-line basis over the period to the next anticipated dry docking being approximately 30 months. Costs incurred outside of the dry docking period which relate to major works, overhaul/services, that would normally be carried out during the dry docking, as well as surveys, inspections and third party maintenance of the vessels are initially treated as capital work-in-progress (“CWIP”) of the specific vessel. Following the transfer of these balances to property and equipment, depreciation commences at the date of completion of the survey. Costs associated with equipment failure are recognised in the profit and loss as incurred.

Capital work-in-progress
Properties and vessels under the course of construction, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Impairment of tangible assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment reversal.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The Group also has separately identifiable equipment which are typically interchangeable across vessels and where costs can be measured reliably. These assets are not included as part of the cash generating unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount rate reflects risk free rates of returns as well as specific adjustments for country risk in the countries the Group operates in, adjusted for a Company specific risk premium, to determine an appropriate discount rate.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 Material Accounting Policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employees' end of service benefits

In accordance with Labour Laws of some of the countries in which we operate, the Group is required to provide for End of Service Benefits for certain employees.

The only obligation of the Group with respect to end of service benefits is to make the specified lump-sum payments to employees, which become payable when they leave the Group for reasons other than gross misconduct but may be paid earlier at the discretion of the Group. The amount payable is calculated as a multiple of a pre-defined fraction of basic salary based on the number of full years of service.

To meet the requirement of the laws of the countries in which we operate, a provision is made for the full amount of end of service benefits payable to qualifying employees up to the end of the reporting period. The provision relating to end of service benefits is disclosed as a non-current liability. The provision has not been subject to a full actuarial valuation or discounted as the impact would not be material.

The actual payment is typically made in the year of cessation of employment of a qualifying employee but may be pre-paid. If the payment is made in the year of cessation of employment, the payment for end of service benefit will be made as a lump-sum along with the full and final settlement of the employee.

The total expense recognised in profit or loss of US$ 0.7 million (2022: US$ 0.3 million) (Note 20) represents the end of service benefit provision made for employees in accordance with the labour laws of companies where we operate.

Foreign currencies

The Group's consolidated financial statements are presented in US Dollars (US$), which is also the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise stated. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's subsidiaries are expressed in US$ using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Adjusting items

Adjusting items are significant items of income or expense in cost of sales, general and administrative expenses, and net finance costs, which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence. Adjusting items together with an explanation as to why management consider them appropriate to adjust are disclosed separately in Note 31. The Group believes that these items are useful to users of the Group's consolidated financial statements in helping them to understand the underlying business performance through alternate performance measures that are used to derive the Group's principal non-GAAP measures of adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation ("EBITDA"), adjusted

EBITDA margin, adjusted gross profit/(loss), adjusted operating profit/(loss), adjusted net profit/(loss) and adjusted diluted earnings/(loss) per share, all of which are before the impact of adjusting items and which are reconciled from operating profit/(loss), profit/(loss) before taxation and diluted earnings/(loss) per share. Adjusting items include but are not limited to reversal of impairment credits/(impairment charges), restructuring costs, exceptional legal & tax costs, and non-operational finance related costs.

Taxation

Income tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for each subsidiary based on the jurisdiction in which it operates. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share based payments

Long term incentive plans

The fair value of an equity instrument is determined at the grant date based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available for share awards, the fair value of the equity instruments is estimated using a valuation technique to derive an estimate of what the price of those equity instruments would have been at the relevant measurement date in an arm's length transaction between knowledgeable, willing parties.

Equity-settled share-based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte-Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Group's share price at the date of grant. The fair value measurement reflects all market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Financial assets

Financial assets including derivatives are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The Group has the following financial assets: cash and cash equivalents and trade and other receivables (excluding prepayments and advances to suppliers). These financial assets are classified at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

3 Material Accounting Policies continued

Financial assets continued

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As the business model of the Group is to hold financial assets to collect contractual cashflows, they are held at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Cash and cash equivalents

Cash and cash equivalents include balances held with banks with original maturities of three months or less and cash on hand.

Trade receivables

Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before the payment of the consideration is due).

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets that are measured at amortised cost or debt instruments measured at fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the EIR.

For trade and other receivables and contract assets, the Group applies a simplified approach.

For trade receivables and contract assets, the Group recognises loss allowances based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The provision rates are grouped together based on days due for various customer segments that have similar loss patterns (geography, customer type and rating and coverage by letters of credit and other forms of credit insurance).

The Group had an expected credit loss provision of US$ 2.2 million as at 31 December 2023 (31 December 2022: US$ 2.0 million), refer to *Note 9* for further details.

The Group considers a financial asset to move into stage 3 and be in default when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities include trade and other payables, derivatives, lease liabilities and bank borrowings. All financial liabilities are classified at amortised cost unless they can be designated as at Fair Value Through Profit or Loss ("FVTPL").

Derivatives that are not designated and effective as hedging instruments are classified as financial liabilities and are held at FVTPL. Derivatives held at FVTPL are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period with the resulting gain or loss recognised in profit or loss immediately.

Trade and other payables, bank borrowings, lease liabilities, amounts due to related parties and contract liabilities are classified at amortised cost and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the EIR method, with interest expense recognised based on its effective interest rate, except for short-term payables or when the recognition of interest would be immaterial.

The EIR method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's loan facility is a floating rate financial liability as interest rates are based on variable SOFR rates. The Group's accounting policy is to treat the loan as a floating rate financial liability and the Group performs periodic estimations to reflect movements in market interest rates and alters the effective interest rate accordingly.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated statement of profit or loss and other comprehensive income.

When an existing financial liability is replaced by another on terms which are not substantially modified, the exchange is deemed to be a continuation of the existing liability and the financial liability is not derecognised.

Derivative financial instruments

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

3 Material Accounting Policies continued

Financial liabilities and equity instruments continued

Derivative financial instruments continued

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income ("OCI") and accumulated in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The ineffective portion relating for cash flow hedges are recognised in finance expenses in the profit or loss.

The Group designates interest rate swaps ("IRS") as hedging instruments. The Group designates the change in fair value of the entire derivative contracts in its cash flow hedge relationships.

For cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. The amount remaining in the cashflow hedge reserve is reclassified to profit or loss as reclassification adjustments in the same period or periods during which the hedged expected future cashflows affected profit or loss. The Group reclassify amounts remaining in the cashflow hedge reserve on a time apportionments basis.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Warrants

The Group measures the warrants issued at fair value with changes in fair value recognised in the profit or loss.

4 Key sources of Estimation Uncertainty and Critical Accounting Judgements

In the application of the Group's accounting policies, which are described in Note 3, 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.

In applying the Group's accounting policies during the year, there was one critical accounting judgement relating to a subsidiary of the Group that received a tax assessment from the Saudi tax authorities (ZATCA) for an amount related to the transfer pricing of our inter-group bareboat agreement. While the Directors, guided by the Group's tax advisors, believe that the Group has complied with the relevant tax legislation and a zero balance is due, a provision of US$ 0.5 million is recognised for potential outcome in an attempt to reach an amicable solution. Further details of the tax assessment are disclosed in Note 8.

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.

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are outlined below:

Impairment and reversal of previous impairment of property and equipment

The Group obtained an independent valuation of its vessels as at 31 December 2023 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does not consider these valuations to represent a reliable estimate of the fair value for the purpose of assessing the recoverable value of the Group's vessels, noting that there have been limited, if any, "willing buyer and willing seller" transactions of similar vessels in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations, management concluded that recoverable amount should be based on value in use.

Management carried out an impairment assessment of property and equipment for year ended 31 December 2023. Following this assessment management determined that the recoverable amounts of the cash generating units to which items of property and equipment were allocated, being vessels and related assets, were most sensitive to future day rates, vessel utilisation and discount rate. It is reasonably possible that changes to these assumptions within the next financial year could require a material adjustment of the carrying amount of the Group's vessels.

Management would not expect an assumption change of more than 10% in aggregate for the entire fleet within the next financial year, and accordingly, believes that a 10% sensitivity to day rates and utilisation is appropriate. Further, for discount rate, management would not expect an assumption change of more than 1% and accordingly, believes that a 1% sensitivity to discount rate is appropriate.

As at 31 December 2023, the total carrying amount of the property and equipment, drydocking expenditure, and right of use assets subject to estimation uncertainty was US$ 621.0 million (2022: US$ 605.3 million). Refer to Note 5 for further details including sensitivity analysis.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets that are measured at amortised cost or debt instruments measured at fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the EIR.

Management carried out an impairment assessment of trade receivables and contract assets for the year ended 31 December 2023. Following this assessment management considered the following criteria for impairment:

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Management concluded that the Group had an expected credit loss provision expense of US$ 0.2 million as at 31 December 2023 (31 December 2022: US$ 2.0 million), refer to Notes 9 for further details.

Fair valuation of Warrants

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo option-pricing model. The simulation considers sensitivity by building models of possible results by substituting a range of values. The increase in fair value of the warrants is primarily due to increase in share price and its volatility. A 10% change in share price will increase or decrease the valuation by US$ 0.2 million.

5 Property and equipment

	Vessels US$'000	Capital work-in-progress US$'000	Vessel spares, fitting and other equipment US$'000	Others US$'000	Total US$'000
Cost					
At 1 January 2022	896,871	5,042	60,234	1,967	964,114
Additions	–	3,336	–	–	3,336
Transfers	1,329	(1,612)	–	283	–
At 31 December 2022	898,200	6,766	60,234	2,250	967,450
Additions	**–**	**4,326**	**–**	**–**	**4,326**
Transfers	**–**	**(523)**	**523**	**–**	**–**
At 31 December 2023	**898,200**	**10,569**	**60,757**	**2,250**	**971,776**

	Vessels US$'000	Capital work-in-progress US$'000	Vessel spares, fitting and other equipment US$'000	Others US$'000	Total US$'000
Accumulated depreciation and impairment					
At 1 January 2022	335,938	2,845	18,018	1,787	358,588
Depreciation expense *(Note 36)*	20,365	–	3,201	129	23,695
Impairment charge	13,192	–	–	–	13,192
Reversal of impairment	(20,980)	–	–	–	(20,980)
At 31 December 2022	348,515	2,845	21,219	1,916	374,495
Depreciation expense *(Note 36)*	**20,900**	**–**	**3,252**	**145**	**24,297**
Impairment charge	**3,565**	**–**	**–**	**–**	**3,565**
Reversal of impairment	**(36,993)**	**–**	**–**	**–**	**(36,993)**
At 31 December 2023	**335,987**	**2,845**	**24,471**	**2,061**	**365,364**
Carrying amount					
At 31 December 2023	**562,213**	**7,724**	**36,286**	**189**	**606,412**
At 31 December 2022	549,685	3,921	39,015	334	592,955

5 Property and equipment continued

Depreciation amounting to US$ 24.3 million (2022: US$ 23.7 million) has been charged to the profit and loss, of which US$ 24.2 million (2022: US$ 23.6 million) was allocated to cost of sales (*Note 31*). The remaining balance of the depreciation charge is included in general and administrative expenses (*Note 31*).

Vessels with a total net book value of US$ 562.2 million (2022: US$ 549.7 million), have been mortgaged as security for the loans extended by the Group's banking syndicate (*Note 22*).

Impairment

In accordance with the requirements of IAS 36 – Impairment of Assets, the Group assesses at each reporting period if there is any indication an additional impairment would need to be recognised for its vessels and related assets, or if the impairment loss recognised in prior periods no longer exists or had decreased in quantum. Such indicators can be from either internal or external sources. In circumstances in which any indicators of impairment or impairment reversal are identified, the Group performs a formal impairment assessment to evaluate the carrying amounts of the Group's vessels and their related assets, by comparing against the recoverable amount to identify any impairments or reversals. The recoverable amount is the higher of the vessels and related assets' fair value less costs to sell and value in use.

Based on the impairment assessment reviews conducted in previous years, the Group recognised impairment losses of US$ 59.1 million and US$ 87.2 million in fiscal years 2019 and 2020 respectively. As conditions improved, including day rates, utilization, and market outlook, the historical impairment losses of US$ 14.9 million and US$ 21.0 million on various vessels were subsequently reversed in fiscal years 2021 and 2022, respectively. During 2022, an additional impairment loss of US$ 13.2 million was also recognised on certain vessels, primarily due to higher discount rate resulting in a net impairment reversal of US$ 7.8 million.

As at 31 December 2023, and in line with IAS 36 requirements, management concluded that a formal impairment assessment was required. Factors considered by management included favourable indicators, including an improvement in utilization, day rates, an increase in market values of vessels and decrease in interest rate, and unfavourable indicators including the market capitalization of the Group remaining below the book value of the Group's equity.

The Group has again obtained an independent valuation of its vessels as at 31 December 2023 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does not consider these valuations to represent a reliable estimate of the fair value for the purpose of assessing the recoverable value of the Group's vessels, noting that there have been limited, if any, "willing buyer and willing seller" transactions of similar vessels in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations, management has again concluded that recoverable amount should be based on value in use.

The impairment review was performed for each cash-generating unit, by identifying the value in use of each vessel and of spares fittings, capitalised dry-docking expenditure and right-of-use assets relating to operating equipment used on the fleet, based on management's projections of future utilisation, day rates and associated cash flows.

The projection of cash flows related to vessels and their related assets is complex and requires the use of a number of estimates, the primary ones being future day rates, vessel utilisation and discount rate.

In estimating the value in use, management estimated the future cash inflows and outflows to be derived from continuing use of each vessel and its related assets for the next four years based on its latest forecasts. The terminal value cash flows (i.e., those beyond the 4-year period) were estimated based on terminal value mid-cycle day rates and utilisation levels calculated by looking back as far as 2014, when the market was at the top of the cycle through to 2022 levels as the industry starts to emerge out of the bottom of the cycle, adjusted for anomalies. The terminal value cash flow assumptions are applied till the end of estimated useful economic life of each vessel, which is consistent with prior year. Such long-term forecasts also took account of the outlook for each vessel having regard to their specifications relative to expected customer requirements and about broader long-term trends including climate change.

The near-term assumptions used to derive future cash flows reflect contracted rates, where applicable, and thereafter the market recovery from increased activity in Self Elevated Support Vessels (SESV) market. Though the Group continues to operate in the North Sea, its core market in the long term is expected to remain in the Arabian Peninsula region which, in turn, is expected to continue to benefit from the low production costs for oil and gas in the region, the current appetite of National Oil Companies ("NOCs") to increase production and the reliance the local governments have on revenues derived from oil and gas.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount rate of 12.93% (2022: 13.58%) is computed on the basis of the Group's weighted average cost of capital. The cost of equity incorporated in the computation of the discount rate is based on the industry sector average betas, risk-free rate of return as well as Group specific risk premium reflecting any additional risk factors relevant to the Group. The cost of debt is based on the Group's actual cost of debt and the effective cost of debt reported by the peer group as at 31 December 2023. The weighted average is computed based on the industry capital structure.

The impairment review led to the recognition of a net impairment reversal of US$ 33.43 million. The key reason for the reversal is further improvement in general market conditions compared to prior year and a decrease in discount rate from 13.58% to 12.93% predominantly due to reduction in the cost of equity of the Group.

In accordance with the Companies Act 2006, section 841(4), the following has been considered:

a) the Directors have considered the value of some/all of the fixed assets of the Group without revaluing them; and
b) the Directors are satisfied that the aggregate value of those assets are not less than the aggregate amount at which they were stated in the Group's accounts.

Details of the impairment reversal by cash-generating unit, along with the associated recoverable amount reflecting its value in use, are provided below:

Cash Generating Unit (CGUs)	Impairment reversal/ (Impairment) 2023 US$'000	Recoverable amount 2023 US$'000	Impairment reversal/ (Impairment) 2022 US$'000	Recoverable amount 2022 US$'000
E-Class – 1	12,414	94,441	1,820	66,933
E-Class – 2	(3,565)	62,481	(2,691)	66,823
E-Class – 3	907	79,985	(941)	73,269
E-Class – 4	6,584	88,582	5,131	85,592
E-class	**16,340**	**325,489**	**3,319**	**292,617**
S-Class – 1	4,462	61,092	(4,631)	53,923
S-Class – 2	–	67,067	–	56,398
S-Class – 3	–	68,787	–	58,865
S-class	**4,462**	**196,946**	**(4,631)**	**169,186**
K-Class – 1	1,773	16,264	(1,984)	15,475
K-Class – 2	1,102	17,033	3,333	16,874
K-Class – 3	2,025	18,353	2,880	16,059
K-Class – 4	4,464	16,268	(19)	12,678
K-Class – 5	1,321	22,047	7,816	21,519
K-Class – 6	1,941	51,075	(2,926)	51,139
K-class	**12,626**	**141,040**	**9,100**	**133,744**
Total	**33,428**	**663,475**	**7,788**	**595,547**

The below table compares the long-term (Terminal value) day rate and utilisation assumptions used to forecast future cash flows from 2028 for the remainder of each vessel's useful economic life against those secured for 2024:

Vessels class	Day rate change % on 2024 levels	Utilisation change % on 2024 levels
E-Class CGUs	30%	(13%)
S-Class CGUs	(4%)	3%
K-Class CGUs	(9%)	(16%)

The below table compares the long-term day rate and utilisation assumptions used to forecast future cash flows during the year ended 31 December 2023 against the Group's long-term assumptions in the impairment assessment performed as at 31 December 2022:

Vessels class	Day rate change % on 2023 levels	Utilisation change % on 2023 levels
E-Class CGUs	–	–
S-Class CGUs	–	–
K-Class CGUs	–	–

The impairment reversal recognised on the Group's K-Class vessels primarily reflects an increase in short-term forecast day rates and utilisation, as the Group experiences increased demand in a recovering market. When reviewing the longer-term assumptions, the Group has assumed a lower day rate and utilisation for terminal values to reflect higher competition in the market for smaller vessels.

The net impairment reversal recognised on E-Class vessels reflect further increases in short-term assumptions on day rates and utilisation relative to the Group's previous forecasts. The forecast of 30% increase in day rates relative to 2024 reflects improving market conditions coupled with a limited supply of vessels with the capabilities of the E-Class such as their large crane capacities and superior leg length. As these vessels are the most capable of all the vessels in the fleet it is anticipated they will be able to demand higher day rates and utilization going forward.

The net impairment reversal recognised on the Group's S-Class vessel primarily reflects an increase in short-term forecast day rates and utilisation, as the Group experiences increased demand in a recovering market.

5 Property and equipment continued

Impairment continued

Key assumption sensitivities

The Group has conducted an analysis of the sensitivity of the impairment test to reasonable possible changes in the key assumptions (long-term day rates, utilisation and pre-tax discount rates) used to determine the recoverable amount for each vessel as follows:

Day rates

	Day rates higher by 10%		Day rates lower by 10%	
	Impact (in US$ million)	Number of vessels impacted	Impact (in US$ million)	Number of vessels impacted
Vessels class	(Impairment)/ impairment reversal of*		(Impairment)/ impairment reversal of*	
E-Class CGUs	38.0	6	(15.0)	3
S-Class CGUs	4.5	–	(2.6)	1
K-Class CGUs	28.1	2	(17.1)	6
Total fleet	**70.6**	**8**	**(34.7)**	**10**

* This reversal of impairment/(impairment charge) is calculated on carrying values before the adjustment for impairment reversals in 2023.

The total recoverable amounts of the Group's vessels as at 31 December 2023 would have been US$ 766.8 million under the increased day rates sensitivity and US$ 552.3 million for the reduced day rate sensitivity.

Utilisation

	Utilisation higher by 10%		Utilisation lower by 10%	
	Impact (in US$ million)	Number of vessels impacted	Impact (in US$ million)	Number of vessels impacted
Vessels class	(Impairment)/ impairment reversal of*		(Impairment)/ impairment reversal of*	
E-Class CGUs	31.1	2	(15.0)	3
S-Class CGUs	4.5	–	(2.6)	1
K-Class CGUs	22.2	6	(17.1)	6
Total fleet	**57.8**	**8**	**(34.7)**	**10**

* This reversal of impairment/(impairment charge) is calculated on carrying values before the adjustment for impairment reversals in 2023.

The total recoverable amounts of the Group's vessels as at 31 December 2023 would have been US$ 726.9 million under the increased utilisation sensitivity and US$ 552.3 million for the reduced utilisation sensitivity.

Management would not expect an assumption change of more than 10% across all vessels within the next financial year, and accordingly, believes that a 10% sensitivity to day rates and utilisation is appropriate.

Discount rate

An additional sensitivity analysis was conducted by adjusting the pre-tax discount rate upwards and downwards by 100 basis points (1%). Given that the change in the discount rate from the previous year is less than 100 basis points, such sensitivity was deemed appropriate for this analysis.

	Discount rate higher by 1%		Discount rate lower by 1%	
	Impact (in US$ million)	Number of vessels impacted	Impact (in US$ million)	Number of vessels impacted
Vessels class	(Impairment)/ impairment reversal of*		(Impairment)/ impairment reversal of*	
E-Class CGUs	6.3	2	27.7	2
S-Class CGUs	3.7	1	4.5	–
K-Class CGUs	6.0	6	16.7	6
Total fleet	**16.0**	**9**	**48.9**	**8**

* This (impairment charge)/impairment reversal is calculated on carrying values before the adjustment for impairment reversals in 2023.

The total recoverable amounts of the vessels as at 31 December 2023 would have been US$ 707.3 million under the reduced discount rate sensitivity and US$ 624.4 million for the increased discount rate sensitivity.

6 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2023 US$'000	2022 US$'000
At 1 January	**8,931**	8,799
Expenditure incurred during the year	**6,960**	5,745
Amortised during the year (*Note 36*)	**(4,687)**	(5,613)
At 31 December	**11,204**	8,931

7 Right-of-use assets

	Buildings US$'000	Communications equipment US$'000	Operating equipment US$'000	Total US$'000
Cost				
At 1 January 2022	2,262	251	7,560	10,073
Additions	186	–	2,936	3,122
At 31 December 2022	2,448	251	10,496	13,195
Additions	519	894	1,818	3,231
Derecognised	–	–	(567)	(567)
At 31 December 2023	**2,967**	**1,145**	**11,747**	**15,859**
Accumulated depreciation				
At 1 January 2022	1,448	173	5,568	7,189
Depreciation for the year	419	78	2,138	2,635
At 31 December 2022	1,867	251	7,706	9,824
Depreciation for the year	574	106	2,508	3,188
Derecognised	–	–	(500)	(500)
At 31 December 2023	**2,441**	**357**	**9,714**	**12,512**
Carrying amount				
At 31 December 2023	**526**	**788**	**2,033**	**3,347**
At 31 December 2022	581	–	2,790	3,371

The consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases.

	2023 US$'000	2022 US$'000
Depreciation of right of use assets (*Note 36*)	**3,188**	2,635
Expense relating to short term leases or leases of low value assets (*Note 36*)	**228**	965
Lease charges included in operating activities	**3,416**	3,600
Interest on lease liabilities (*Note 35*)	**245**	170
Lease charges included in profit before tax	**3,661**	3,770

The total cash outflow for leases amounted to US$ 3.8 million for the year ended 31 December 2023 (2022: US$ 3.7 million).

8 Taxation charge for the year

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The overall effective rate is the aggregate of taxes paid in jurisdictions where income is subject to tax (being principally Qatar, the United Kingdom, and Saudi Arabia), divided by the Group's profit/(loss).

	2023 US$'000	2022 US$'000
Profit from operations before tax	**44,930**	27,126
Tax at the UK corporation tax rate of 23.5% (2022: 19%)	**10,568**	5,154
Effect of different tax rates in overseas jurisdictions	**(13,461)**	(6,106)
Expense not deductible for tax purposes	**2,413**	20
Overseas taxes not based on profit	**1,714**	861
Increase in unrecognised deferred tax	**1,113**	1,242
Prior year tax adjustments	**630**	584
Income not taxable for tax purposes	**(115)**	(31)
Total tax charge	**2,862**	1,724

During the year, the tax rates on profits were 10% in Qatar (2022: 10%), 23.52% in the United Kingdom (2022: 19%) and 20% in Saudi Arabia (2022: 20%) applicable to the portion of profits generated from respective jurisdictions. The Group also incurred 2.5% Zakat tax (an obligatory tax to donate 2.5% of retained earnings each year) on the portion of profits generated in Saudi Arabia (2022: 2.5%).

The Group incurs 5% withholding tax on remittances from Saudi Arabia (2022: 5%). The withholding tax included in the current tax charge amounted to US$ 1.6 million (2022: US$ 0.9 million).

The Group expects the overall effective tax rate in the future to vary according to local tax law changes in jurisdictions which incur taxes, applicability of corporate tax in the UAE, as well as any changes to the share of Group's profits or losses which arise in tax paying jurisdictions.

At the consolidated statement of financial position date, the Group has unused tax losses of US$ 30.2 million (2022: US$ 26.4 million), arising from UK operations, available for offset against future profits with an indefinite expiry period. In line with the prior year, the current year assessment relates to the E-Class vessel which is the only vessel expected to operate in the UK for the foreseeable future. Based on the projections of this remaining vessel's activity, there are insufficient future taxable profits to justify the recognition of a deferred tax asset. On this basis no deferred tax asset has been recognised in the current or prior year, the unrecognised deferred tax asset calculated at the substantively enacted rate in the UK of 25% amounts to US$ 7.6 million as at 31 December 2023 (2022: US$ 6.6 million).

The Group accrues for estimated penalties, if any, with respect to any open tax related matters. Any changes to such estimates relating to prior periods are presented in the "prior year tax adjustments" above.

Factors affecting current and future tax charges

United Kingdom (UK)

In the Spring Budget 2021, the UK Government announced that from 01 April 2023 the corporation tax rate would increase to 25%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates as disclosed in these consolidated financial statements.

The future effective tax rate of the Group could be impacted by changes in tax law, primarily increasing corporation tax rates and increasing withholding taxes applicable to the Group.

United Arab Emirates (UAE)

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax regime in the UAE. This Law has become effective for accounting periods beginning on or after 1 June 2023.

The Group's UAE operations will be subject to a 9% corporation tax rate with effect from 01 January 2024. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the UAE Ministry of Finance).

GMS has considered deferred tax implications in the preparation of these consolidated financial statements in respect of property and equipment and potential timing differences that could give rise to a deferred tax liability. There are currently no UAE tax laws that would impact treatment of depreciation and amortisation of property, plant and equipment, that would result in such a timing difference. Hence, management has concluded that no adjustments to these consolidated financial statements are necessary.

Kingdom of Saudi Arabia
A subsidiary of the Group received a tax assessment from the Saudi tax authorities (ZATCA) for an amount of US$ 7.3 million related to the transfer pricing of inter-group bareboat agreement, for the period from 2017 to 2019. The Group has currently filed an appeal with the Tax Violations and Disputes Appellate Committee (TVDAC) against the assessment raised by ZATCA. The Directors have considered the claim, including consideration of third-party tax advice received. Noticing the claim retrospectively applied from 2010 in respect of a law which was issued in 2019, which applied a "tested party" assessment different to that supported by the Group tax advisors and using an approach which the Directors (supported by their tax advisors) consider to be inconsistent with the principles set out in the KSA transfer price guidelines, the Directors believe that the Group has complied with the relevant tax legislation. Nevertheless, to reach an amicable solution, the Group has also filed a settlement application with the Alternate Dispute Resolution Committee (ADRC), which subsequently requested a settlement offer. The Directors have responded by proposing a settlement of US$ 0.5 million and are currently awaiting a response from the ADRC. On that basis, a provision of US$ 0.5 million has also been recognised in these consolidated financial statements.

9 Trade receivables

	2023 US$'000	2022 US$'000
Trade receivables (gross of allowances)	**32,872**	35,198
Less: Allowance for expected credit losses	**(2,226)**	(2,019)
Trade receivables	**30,646**	33,179

Gross trade receivables, amounting to US$ 32.9 million (2022: US$ 35.2 million), have been assigned as security against the loans extended by the Group's banking syndicate (*Note 22*).

Trade receivables disclosed above are measured at amortised cost. Credit periods are granted on a client by client basis. The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. For details of the calculation of expected credit losses, refer to *Note 3*.

Impairment has been considered for accrued revenue but is not considered material.

The movement in the allowance for ECL and bad and doubtful receivables during the year was as follows:

	2023 US$'000	2022 US$'000
At 1 January	**2,019**	195
Net charge of expected credit losses (*Note 36*)	**207**	1,824
At 31 December	**2,226**	2,019

Trade receivables are considered past due once they have passed their contracted due date. The net charge of expected credit loss provision during the year was US$ 0.2 million (2022: US$ 1.8 million).

Management carried out an impairment assessment of trade receivables for the year ended 31 December 2023 and concluded that the Group had an expected credit loss provision of US$ 2.2 million as at 31 December 2023 (31 December 2022: US$ 2.0 million).

During January 2023, a customer entered administration. The Group had traded with this customer in the past and accordingly, had recorded an allowance for impairment amounting to US$ 1.9 million in the previous year.

Included in the Group's trade receivables balance are receivables with a gross amount of US$ 4.1 million (2022: US$ 0.8 million) which are past due for 30 days or more at the reporting date. At 31 December, the analysis of Trade receivables is as follows:

		Number of days past due					
	Current US$'000	< 30 days US'000	31-60 days US'000	61-90 days US'000	91-120 days US'000	> 120 days US'000	Total US'000
Trade receivables	**28,714**	**26**	**–**	**–**	**–**	**4,132**	**32,872**
Less: Allowance for expected credit losses	**(110)**	**–**	**–**	**–**	**–**	**(2,116)**	**(2,226)**
Net trade receivables 2023	**28,604**	**26**	**–**	**–**	**–**	**2,016**	**30,646**
Trade receivables	30,166	4,216	–	–	30	786	35,198
Less: Allowance for expected credit losses	(2,003)	(10)	–	–	–	(6)	(2,019)
Net trade receivables 2022	28,163	4,206	–	–	30	780	33,179

Seven customers (2022: nine) account for 99% (2022: 99%) of the total trade receivables balance (see revenue by segment information in *Note 30*). When assessing credit risk, ongoing assessments of customer credit and liquidity positions are performed.

10 Prepayments, advances and other receivables

	2023 US$'000	2022 US$'000
Accrued revenue	**2,656**	1,303
Prepayments	**3,557**	3,137
Deposits*	**86**	85
Advances to suppliers	**1,758**	3,197
At 31 December	**8,057**	7,722

* Deposits include bank guarantee deposits of US$ 39K (2022: US$ 39K). Guarantee deposits are paid by the Group for employee work visas under UAE labour laws.

11 Derivative financial instruments

Warrants

Under the terms of the Group's loan facility, the Group was required to issue warrants to its lenders as GMS had not raised US$ 50.0 million of equity by 31 December 2022.

On 2 January 2023, as the US$ 50.0 million equity raise did not take place, therefore 87,621,947 warrants were issued to the lenders. Based on the final report prepared by a Calculation Agent, the warrants give right to their holders to acquire 137,075,773 shares at an exercise price of 5.75 pence per share for a total consideration of GBP £7.9 million. Warrant holders will have the right to exercise their warrants up to the end of the term of the loan facility, being 30 June 2025.

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo option-pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of our shares to trade in an active market. The simulation considers sensitivity by building models of possible results by substituting a range of values. Warrants valuation represents a Level 3 fair value measurement under IFRS 13 hierarchy. The fair value of the warrants as at 31 December 2023 was US$ 14.3 million (31 December 2022: US$ 3.2 million). The increase in fair value of the warrants is primarily due to increase in share price and its volatility. The share price increased from 4.65 pence as at 31 December 2022 to 14.5 pence as at 31 December 2023. A 10% change in share price will increase or decrease the valuation by US$ 0.2 million.

Interest Rate Swap

The Group had an Interest Rate Swap (IRS) arrangement, originally in place, with a notional amount of US$ 50.0 million. The remaining notional amount hedged under the IRS as at 31 December 2023 was US$ nil (31 December 2022: US$ 23.1 million). The IRS hedged the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. The IRS arrangement matured during the year, therefore, the fair value of the IRS as at 31 December 2023 was US$ nil (31 December 2022: asset value US$ 0.4m). In 2020 cash flows of the hedging relationship for the IRS were not highly probable and, therefore, hedge accounting was discontinued from that point.

Historically, the fair value measurement of the interest rate swap was determined by independent valuers with reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. They represent Level 2 fair value measurements under the IFRS 13 hierarchy.

IFRS 13 fair value hierarchy

Apart from warrants, the Group has no other financial instruments that are classified as Level 3 in the fair value hierarchy in the current year that are determined by reference to significant unobservable inputs. There have been no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Derivative financial instruments are made up as follows:

	Interest rate swap US$'000	Warrants US$'000	Total US$'000
At 1 January 2023	**386**	**(3,198)**	**(2,812)**
Net loss on changes in fair value of interest rate swap	**(59)**	**–**	**(59)**
Final settlement of derivatives	**(327)**	**–**	**(327)**
Impact of change in fair value of warrants	**–**	**(11,077)**	**(11,077)**
As at 31 December 2023	**–**	**(14,275)**	**(14,275)**

	Interest rate swap US$'000	Warrants US$'000	Total US$'000
At 1 January 2022	(1,076)	(717)	(1,793)
Settlement of derivatives	384	–	384
Net gain on changes in fair value of interest rate swap	1,078	–	1,078
Impact of change in fair value of warrants	–	(2,481)	(2,481)
As at 31 December 2022	386	(3,198)	(2,812)

These consolidated financial statements include the cost of hedging reserve and cash flow hedge reserve which are detailed further in the consolidated statement of changes in equity. These reserves are non-distributable.

The balance in the cashflow hedging reserve as at 31 December 2023 was nil (2022: US $ 0.28 million).

12 Cash and cash equivalents

	2023 US$'000	2022 US$'000
Interest bearing		
Held in UAE banks	**1,422**	1,209
Non-interest bearing		
Held in UAE banks	**964**	2,824
Held in banks outside UAE	**6,280**	8,242
Total cash and cash equivalents	**8,666**	12,275

13 Share capital and other reserves

Ordinary shares at £0.02 per share

	Number of ordinary shares (Thousands)	**Ordinary shares US$'000**
At 1 January 2023	1,016,415	30,117
As at 31 December 2023	**1,016,415**	**30,117**

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2022	1,016,415	30,117
As at 31 December 2022	1,016,415	30,117

Capital redemption reserve

	Number of ordinary shares (Thousands)	**Capital redemption reserve US$'000**
At 1 January 2023	350,488	46,445
As at 31 December 2023	**350,488**	**46,445**

13 Share capital and other reserves continued

Share premium

	Number of ordinary shares (Thousands)	Share premium account US$'000
At 1 January 2023	1,016,415	99,105
As at 31 December 2023	**1,016,415**	**99,105**

Prior to an equity raise on 28 June 2021 the Group underwent a capital reorganisation where all existing ordinary shares with a nominal value of 10 pence per share were subdivided and re-designated into 1 ordinary share with a nominal value of 2 pence and 1 deferred share with a nominal value of 8 pence each. The previously recognised share capital balance relating to the old 10p ordinary shares was allocated pro rata to the new subdivided 2p ordinary shares and 8p deferred shares. The deferred shares had no voting rights and no right to the profits generated by the Group. On winding-up or other return of capital, the holders of deferred shares had extremely limited rights, if any. The Group had the right but not the obligation to buyback all of the deferred shares for an amount not exceeding £1.00 in aggregate, which with the shareholders approval, was completed on 30 June 2022. Accordingly, 350,487,787 deferred shares were cancelled. Following the cancellation of the Deferred shares on 30 June 2022, a transfer of $46.4 million was made from Share capital – Deferred to a Capital redemption reserve. There was no dilution to the shares ownership as a result of the share reorganisation.

Under the Companies Act, a share buy-back by a public company can only be financed through distributable reserves or the proceeds of a fresh issue of shares made for the purpose of financing a share buyback. The Company had sufficient reserves to purchase the Deferred shares for £1.00.

The Group has issued warrants to its lenders which may result in increase in issued share capital in future (refer Note 11).

14 Restricted reserve

The restricted reserve of US$ 0.3 million (2022: US$ 0.3 million) represents the statutory reserves of certain subsidiaries. As required by the Commercial Companies Law in the countries where those entities are established, 10% of profit for the year is transferred to the statutory reserve until the reserve equals 50% of the share capital. Following a recent change to the Regulations of Companies in Kingdom of Saudi Arabia, apportions can cease when the reserve equals 30% instead of 50% of the share capital, although the subsidiary continues to maintain this at 50%. This reserve is not available for distribution. No amounts were transferred to this reserve during the year ended 31 December 2023 (2022: US$ nil).

15 Group restructuring reserve

The Group restructuring reserve arose on consolidation under the pooling of interests (merger accounting) method used for the Group restructuring. Under this method, the Group was treated as a continuation of GMS Global Commercial Investments LLC (the predecessor parent Company) and its subsidiaries. At the date the Company became the new parent company of the Group via a share-for-share exchange, the difference between the share capital of GMS Global Commercial Investments LLC and the Company, amounting to US$ 49.7 million (2022: US $49.7 million), was recorded in the books of Gulf Marine Services PLC as a Group restructuring reserve. This reserve is non-distributable.

16 Share based payment reserve

Share based payment reserve of US$ nil (2022: US$ 3.6 million) relates to awards granted to employees under the long-term incentive plans. Refer to Note 28 for further details.

17 Capital contribution

The capital contribution reserve is as follows:

	2023 US$'000	2022 US$'000
At 31 December	**9,177**	9,177

During 2013, US$ 7.8 million was transferred from share appreciation rights payable to capital contribution as, effective 1 January 2013, the shareholders have assumed the obligation to settle the share appreciation rights. An additional charge in respect of this scheme of US$ 1.4 million was made in 2014. The total balance of US$ 9.2 million is not available for distribution.

18 Translation reserve and Retained earnings

Foreign currency translation reserve represents differences on foreign currency net investments arising from the re-translation of the net investments in overseas subsidiaries.

Retained earnings include the accumulated realised and certain unrealised gains and losses made by the Group.

19 Non-controlling interests

The movement in non-controlling interests is summarised as follows:

	2023 US$'000	2022 US$'000
At 1 January	**1,988**	1,912
Share of profit for the year	**726**	76
At 31 December	**2,714**	1,988

The following table summarises the information relating to the subsidiary that has material non-controlling interest, before any intra-group eliminations.

	2023 US$'000	2022 US$'000
Statement of financial position information:		
Non-current assets	**129**	76
Current assets	**16,408**	17,830
Non-current liabilities	**(18)**	(38)
Current liabilities	**(6,952)**	(9,607)
Net assets	**9,567**	8,261
Net assets attributable to non-controlling interests	**2,714**	1,988
Statement of profit or loss and other comprehensive income information:		
Revenue	**38,088**	22,569
Profit after tax and zakat	**1,306**	876
Total comprehensive income	**1,306**	876
Profit allocated to non-controlling interests	**726**	76
Statement of cashflow information:		
Cash flows from operating activities	**(1,162)**	1,933
Cash flows from financing activities (dividends: nil)	**(795)**	(525)
Net (decrease) / increase in cash and cash equivalents	**(1,957)**	1,408

20 Provision for employees' end of service benefits

In accordance with Labour Laws of some of the countries where the Group operates, it is required to provide for end of service benefits for certain employees. The movement in the provision for employees' end of service benefits during the year was as follows:

	2023 US$'000	2022 US$'000
At 1 January	**2,140**	2,322
Provided during the year	**723**	270
Paid during the year	**(468)**	(452)
At 31 December	**2,395**	2,140

21 Trade and other payables

	2023 US$'000	2022 US$'000
Trade payables	**13,213**	12,618
Due to related parties (*Note 24*)	**962**	2,841
Accrued expenses	**16,090**	11,169
Deferred revenue	**3,546**	628
VAT payable	**392**	365
Other payables	**851**	358
	35,054	27,979

No interest is payable on the outstanding balances. Trade and other payables are all current liabilities.

22 Bank borrowings

Secured borrowings at amortised cost are as follows:

	2023 US$'000	2022 US$'000
Term loans	**273,939**	328,085
Working capital facility (utilised)*	**2,000**	–
	275,939	328,085

* The revolving working capital facility amounts to US$ 40.0 million (31 December 2022: US$ 45.0 million). US$ 25.0 million (31 December 2022: US$ 25.0 million) of the working capital facility is allocated to performance bonds and guarantees and US$ 15.0 million (31 December 2022: US$ 20 million) is allocated to funded portion, of which US$ 2.0 million was utilised as of 31 December 2023, leaving US$ 13.0 million available for drawdown (31 December 2022: US$ 20.0 million). The working capital facility expires alongside the main debt facility in June 2025.

Bank borrowings are split between hedged and unhedged amounts as follows:

	2023 US$'000	2022 US$'000
Unhedged bank borrowings	**275,939**	305,008
Hedged bank borrowing via Interest Rate Swap*	**–**	23,077
	275,939	328,085

* This is an economic hedge and not accounted for in accordance with IFRS 9, Financial Instruments. The Group used an IRS to hedge a portion of the Group's floating rate liability by converting SOFR to a fixed rate. The IRS matured during the year, Refer to Note 27 for further details.

Bank borrowings are presented in the consolidated statement of financial position as follows:

	2023 US$'000	2022 US$'000
Non-current portion		
Bank borrowings	**234,439**	298,085
Current portion		
Bank borrowings – scheduled repayments within one year	**39,500**	30,000
Working capital facility	**2,000**	–
	275,939	328,085

The principal terms of the outstanding facility as at 31 December 2023 are as follows:

- The facility's main currency is US$ and is repayable with a Secured Overnight Financing Rate (SOFR) plus a margin based on a ratchet depending on leverage levels.
- Following the cessation of the LIBOR on 30 June 2023, the reference rate in the Common Terms Agreement has been changed to the SOFR as the new benchmark rate.
- As of the second quarter of 2023, the Group has achieved a reduction in the net leverage ratio to below 4.0, and PIK is no longer accrued. As a result, the margin rate on the loan has been decreased from 4% to 3.1%.
- The facility remains secured by mortgages over its whole fleet with a net book value at 31 December 2023 of US$ 562.2 million (31 December 2022: US$ 549.7 million) (Note 5). Additionally, gross trade receivables, amounting to US$ 32.9 million (31 December 2022: US$ 35.2 million) have been assigned as security against the loans extended by the Group's banking syndicate (Note 9).
- The Group has also provided security against gross cash balances, being cash balances amounting to US$ 8.7 million (31 December 2022: US$ 12.3 million) (Note 12) before the restricted amounts related to visa deposits held with the Ministry of Labour in the UAE which are included in deposits. These have been assigned as security against the loans extended by the Group's banking syndicate.
- As an equity raise of US $50.0 million did not take place by 31 December 2022, 87.6 million warrants were issued on 2 January 2023, giving debt holders the right to 137,075,773 million shares at a strike price of 5.75 pence per share.

The facility is subject to certain financial covenants including: Debt Service Cover, Interest Cover, and Net Leverage Ratio, which are tested bi-annually in June and December. There are also additional covenants relating to general and administrative costs, capital expenditure and Security Cover (loan to value) which are tested annually in December. Further, there were restrictions to payment of dividends until the net leverage ratio falls below 4.0 times, a level reached in second quarter of 2023. All applicable financial covenants assigned to the Group's debt facility were met as of 31 December 2023.

	Outstanding amount				
	Current US$'000	Non-current US$'000	Total US$'000	Security	Maturity
31 December 2023:					
Term loan – scheduled repayments within one year	**39,500**	**–**	**39,500**	**Secured**	**June 2025**
Term loan – scheduled repayments within more than one year	**–**	**234,439**	**234,439**	**Secured**	**June 2025**
Working capital facility – scheduled repayment within one year	**2,000**	**–**	**2,000**	**Secured**	**June 2025**
	41,500	**234,439**	**275,939**		
31 December 2022:					
Term loan – scheduled repayments within one year	30,000	–	30,000	Secured	June 2025
Term loan – scheduled repayments within more than one year	–	298,085	298,085	Secured	June 2025
Working capital facility – scheduled repayment more than one year	–	–	–	Secured	June 2025
	30,000	298,085	328,085		

23 Lease liabilities

	2023 US$'000	2022 US$'000
As at 1 January	**3,522**	2,924
Recognition of new lease liability additions	**3,231**	3,122
Interest on lease liabilities (*Note 35*)	**245**	170
Principal element of lease payments	**(3,330)**	(2,524)
Derecognition of lease liability	**(67)**	–
Interest paid	**(245)**	(170)
As at 31 December	**3,356**	3,522
Maturity analysis:		
Year 1	**1,623**	1,845
Year 2	**1,297**	834
Year 3 – 5	**436**	692
Onwards	**–**	151
	3,356	3,522
Split between:		
Current	**1,623**	1,845
Non – current	**1,733**	1,677
	3,356	3,522

24 Related party transactions

Related parties comprise the Group's major shareholders, Directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Pricing policies and terms of related party transactions are approved by the Group's Board.

Balances and transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management personnel:

As at 31 December 2023, there were 2.6 million shares held by Directors (31 December 2022: 2.6 million). Refer to the Governance Report on page 70.

Related parties

The Group's principal subsidiaries are outlined in *Note 3*. The related parties comprising of the Group's major shareholders are outlined in the Directors Report on page 73. The other related parties during the year were:

Partner in relation to UAE Operations	Relationship
National Catering Company Limited WLL	Affiliate of a significant shareholder of the Company
Sigma Enterprise Company LLC	Affiliate of a significant shareholder of the Company
Aman Integrated Solutions LLC	Affiliate of a significant shareholder of the Company

The amounts outstanding to National Catering Company Limited WLL as at 31 December 2023 was US$ 0.5 million (2022: US$ 0.8 million) included in trade and other payables (Note 21).

24 Related party transactions continued

The amount outstanding to Sigma Enterprise Company LLC as at 31 December 2023 was US$ 0.5 million, (2022: US$ 1.8 million) included in trade and other payables (Note 21).

The amounts outstanding to Aman Integrated Solutions LLC as at 31 December 2023 was US$ 3k (2022: US$ nil) included in trade and other payables (Note 21).

During 2023, there were no transactions with Seafox international or any of its subsidiaries (2022: US $nil).

Significant transactions with the related party during the year:

	2023 US$'000	2022 US$'000
National Catering Company Limited WLL – Catering services	**581**	1,232
Sigma Enterprise Company LLC – Vessel maintenance and overhaul services	**2,372**	1,930
Aman Integrated Solutions LLC – Laboratory services	**18**	7

Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year were as follows:

	2023 US$'000	2022 US$'000
Short-term benefits	**983**	617
End of service benefits	**24**	24
	1,007	641

Compensation of key management personnel represents the charge to the profit or loss in respect of the remuneration of the executive Directors. At 31 December 2023, there were four executive Directors (2022: four). Further details of remuneration of the Board and key management personnel relating to 2023 are contained in the Directors' Remuneration Report on page 57.

25 Contingent liabilities

At 31 December 2023, the banks acting for Gulf Marine Middle East FZE, one of the subsidiaries of the Group, had issued performance bonds amounting to US$ 19.6 million (31 December 2022: US$ 18.0 million), all of which were counter-indemnified by other subsidiaries of the Group.

26 Commitments

	2023 US$'000	2022 US$'000
Capital commitments	**7,825**	6,221

Capital commitments comprise mainly capital expenditure, which has been contractually agreed with suppliers for future periods for equipment or the upgrade of existing vessels.

27 Financial instruments

Categories of financial instruments

	2023 US$'000	2022 US$'000
Financial assets:		
Current assets at amortised cost:		
Cash and cash equivalents (*Note 12*)	**8,666**	12,275
Trade receivables and other receivables (Note 9,10)*	**33,388**	34,567
Current assets recorded at FVTPL:		
Interest rate swap (*Note 11*)	**–**	386
Total financial assets	**42,054**	47,228

* Trade and other receivables exclude prepayments and advances to suppliers.

	2023 US$'000	2022 US$'000
Financial liabilities:		
Derivatives recorded at FVTPL:		
Warrants (*Note 11*)	**14,275**	3,198
Financial liabilities recorded at amortised cost:		
Trade and other payables (*Note 21*)*	**31,116**	26,986
Lease liabilities (*Note 23*)	**3,356**	3,522
Current bank borrowings – scheduled repayments within one year (*Note 22*)	**41,500**	30,000
Non-current bank borrowings – scheduled repayments more than one year (*Note 22*)	**234,439**	298,085
Total financial liabilities	**324,686**	361,791

* Trade and other payables excludes amounts of deferred revenue and VAT payable.

The following table combines information about the following;

- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial liabilities for which fair value was disclosed.

	2023 US$'000	2022 US$'000
Financial assets:		
Recognised at level 2 of the fair value hierarchy:		
Interest rate swap (*Note 11*)	**–**	386
Financial liabilities:		
Recognised at level 3 of the fair value hierarchy:		
Warrants (*Note 11*)	**14,275**	3,198

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data.

The fair value of the Group's warrants at 31 December 2023 has been arrived at on the basis of a valuation carried out at that date by a third-party expert, an independent valuer not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined using a Monte-Carlo simulation.

Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. There have been no transfers between Level 2 and Level 3 during the years ended 31 December 2023 and 31 December 2022.

Capital risk management

The Group manages its capital to support its ability to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The capital structure of the Group consists of net bank debt and total equity. The Group continues to take measures to de-leverage the Company and intends to continue to do so in the coming years.

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in *Note* 3 to the consolidated financial statements.

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments – credit risk, liquidity risk, interest rate risk and foreign currency risk. Management actively monitors and manages these financial risks relating to the Group.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's trade and other receivables and cash and cash equivalents.

The Group has adopted a policy of dealing when possible, with creditworthy counterparties while keen to maximize utilization for its vessels.

Cash balances held with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. At the year-end, cash at bank and in hand totaled US$ 8.7 million (2022: US$ 12.3 million), deposited with banks with Fitch short-term ratings of F2 to F1+ (*Refer to Note 12*).

27 Financial instruments continued

Credit risk management continued

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. During the year, vessels were chartered to 7 companies in the Arabian Peninsula region and 2 companies in Europe, including NOCs and engineering, procurement and construction ("EPC") contractors. At 31 December 2023, 7 companies in specific regions accounted for 99% (2022: 9 companies in specific regions accounted for 99%) of the outstanding trade receivables.

The credit risk on liquid funds is limited because the funds are held by banks with high credit ratings assigned by international agencies.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties failing to perform their obligations generally approximates their carrying value.

The Group considers cash and cash equivalents and trade and other receivables which are neither past due nor impaired to have a low credit risk and an internal rating of 'performing'. Performing is defined as a counterparty that has a stable financial position and which there are no past due amounts.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by seeking to maintain sufficient facilities to ensure availability of funds for forecast and actual cash flow requirements.

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the Group's financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to assist in ensuring adequate liquidity is maintained. Refer to Going Concern in *Note 3*.

The maturity profile of the assets and liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

			Contractual cash flows			
	Interest rate	Carrying amount	**Total US$'000**	**1 to 3 months US$'000**	**4 to 12 months US$'000**	**2 to 5 years US$'000**
31 December 2023						
Non-interest bearing financial liabilities						
Trade and other payables*		**31,116**	**31,116**	**31,116**	**–**	**–**
Interest bearing financial liabilities	8.6% – 9.2%					
Bank borrowings – principal		**275,939**	**275,939**	**4,000**	**37,500**	**234,439**
Interest on bank borrowings		**133**	**32,984**	**5,955**	**17,164**	**9,865**
Lease liabilities		**3,356**	**3,356**	**618**	**1,155**	**1,583**
Interest on lease liabilities		**–**	**251**	**60**	**110**	**81**
		310,544	**343,646**	**41,749**	**55,929**	**245,968**

	Interest rate	Carrying amount	Total US$'000	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000
31 December 2022						
Non-interest bearing financial liabilities						
Trade and other payables*		26,986	26,986	26,986	–	–
Interest bearing financial liabilities	3.2% – 6.7%					
Bank borrowings – principal		328,085	328,085	7,500	22,500	298,085
Interest on bank borrowings		–	40,395	2,656	7,603	30,136
Lease liabilities		3,522	3,522	462	1,383	1,677
Interest on lease liabilities		–	148	20	42	86
		358,593	399,136	37,624	31,528	329,984

* Trade and other payables excludes amounts of deferred revenue and VAT payable.

In addition to above table, capital commitments are expected to be settled in next twelve months.

Interest rate risk management

The Group is exposed to cash flow interest rate risk on its bank borrowings. The Group enters into floating interest rate instruments for the same. Further, the Group had an Interest Rate Swap (IRS) arrangement, originally in place, with a notional amount of US$ 50.0 million. The remaining notional amount hedged under the IRS as at 31 December 2023 was US$ nil (31 December 2022: US$ 23.1 million). The IRS hedged the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. The IRS arrangement matured during the year, therefore, the fair value of the IRS as at 31 December 2023 was US$ nil (31 December 2022: asset value US$ 0.4 million). In 2020 cash flows of the hedging relationship for the IRS were not highly probable and, therefore, hedge accounting was discontinued from that point. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) consolidated statement of profit or loss and other comprehensive income by US $ 3.3 million.

Foreign currency risk management

The majority of the Group's transactions are denominated in US Dollars, UAE Dirhams, Euros and Pound Sterling. As the UAE Dirham, Saudi Riyal and Qatari Riyal are pegged to the US Dollar, balances in UAE Dirham, Saudi Riyal and Qatari Riyal are not considered to represent significant currency risk. Transactions in other foreign currencies entered into by the Group are short-term in nature and therefore management considers that the currency risk associated with these transactions is limited.

The carrying amounts of the Group's significant foreign currency denominated monetary assets include cash and cash equivalents and trade receivables and liabilities include trade payables. The amounts at the reporting date are as follows:

	Assets 31 December		Liabilities 31 December	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
US Dollars	**21,912**	26,556	**3,421**	13,146
UAE Dirhams	**1,154**	283	**6,482**	1,110
Saudi Riyals	**8,531**	10,332	**1,307**	–
Pound Sterling	**12**	31	**2,003**	1,218
Euros	**6,141**	4,535	**–**	–
Qatari Riyals	**3,694**	6,237	**–**	317
Norwegian Krone	**–**	2	**–**	–
Others	**–**	26	**–**	–
	41,444	48,002	**13,213**	15,791

At 31 December 2023, if the exchange rate of the currencies other than the UAE Dirham, Saudi Riyal and Qatari Riyal had increased/decreased by 10% against the US Dollar, with all other variables held constant, the Group's profit for the year would have been higher/lower by US$ 0.4 million (2022: higher/lower by US$ 0.9 million) mainly as a result of foreign exchange loss or gain on translation of Euro and Pound Sterling denominated balances.

28 Long term incentive plans

The Group had Long Term Incentive Plans ("LTIPs") which were granted to senior management, managers and senior offshore officers.

The employment condition attached to the Groups LTIP's was that each eligible employee of the Company must remain in employment during the three-year vesting period. For 2019 and 2020 awards, LTIPs were aligned to Company's share performance. The release of these shares was conditional upon continued employment and market vesting conditions. There were no LTIP awards granted during 2021.

During the year ended 31 December 2023, the market vesting conditions for the LTIP awards granted in 2020 were not met, and all LTIP awards issued in 2020 were forfeited.

During the year ended 31 December 2022, additional LTIPs awards were granted to the Chairman and Senior Management. The awards were to vest over three years subject to the same employment conditions and performance conditions being met in 2024 based on defined ranges. There was an underpin condition such that no awards would vest if the debt leverage in the Group exceeded 4.0 times EBITDA at 31 December 2022. As this criterion had not been met all LTIP awards issued in 2022 were forfeited.

28 Long term incentive plans continued

Equity-settled share-based payments were measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo statistical method, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award was determined by taking into account the performance conditions, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period was based on the number of awards that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payment granted.

To the extent that share-based payments are granted to employees of the Group's subsidiaries without charge, the share-based payment is capitalised as part of the cost of investment in subsidiaries.

The number of share awards granted by the Group during the year is given in the table below:

	2023 000's	2022 000's
At the beginning of the year	**1,176,014**	2,499,714
Granted in the year	**–**	9,460,000
Cash settled in the year	**–**	(921,310)
Forfeited in the year	**(1,176,014)**	(9,862,390)
At the end of the year	**–**	1,176,014

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2023 was nil years (31 December 2022: 0.1 years). The weighted average fair value of shares granted during the period to 31 December 2023 was US$ nil (31 December 2022: US$ 0.06 million).

	LTIP	LTIP	LTIP
Grant date	14 Jun 2022	29 May 2020	15 Nov 2019
Share price	£0.06	£0.09	£0.08
Exercise price	£0.00	£0.00	£0.00
Expected volatility	102%	120%	103%
Risk-free rate	2.17%	0.01%	0.48%
Expected dividend yield	0.00%	0.00%	0.00%
Vesting period	3 years	3 years	3 years
Award life	3 years	3 years	3 years

The expected share price volatility of Gulf Marine Services PLC shares was determined by considering the historical share price movements for a three-year period up to the grant date (and of each of the companies in the peer group). The risk-free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

29 Dividends

There was no dividend declared or paid in 2023 (2022: nil). No final dividend in respect of the year ended 31 December 2023 is to be proposed at the 2023 AGM. The Directors have approved a residual dividend policy which seeks to strike a balance between funding growth initiatives and providing returns to shareholders. Management is currently evaluating the timing for its implementation.

30 Segment reporting

The Group has identified that the Directors and senior management team are the chief operating decision makers in accordance with the requirements of IFRS 8 '*Operating Segments*'. Segment performance is assessed based upon adjusted gross profit/(loss), which represents gross profit/(loss) before depreciation and amortisation and loss on impairment of assets. The reportable segments have been identified by Directors and senior management based on the size and type of asset in operation.

The operating and reportable segments of the Group are (i) K-Class vessels, which include the Kamikaze, Kikuyu, Kawawa, Kudeta, Keloa and Pepper vessels (ii) S-Class vessels, which include the Shamal, Scirocco and Sharqi vessels, and (iii) E-Class vessels, which include the Endeavour, Endurance, Enterprise and Evolution vessels.

All of these operating segments earn revenue related to the hiring of vessels and related services including charter hire income, messing and accommodation services, personnel hire and hire of equipment. The accounting policies of the operating segments are the same as the Group's accounting policies described in *Note 3*.

	Revenue		**Gross profit before adjustments for depreciation, amortisation and impairment charges**	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
E-Class vessels	**60,955**	51,135	**41,864**	32,024
S-Class vessels	**35,018**	33,986	**23,217**	23,899
K-Class vessels	**55,630**	48,036	**33,375**	27,827
	151,603	133,157	**98,456**	83,750
Depreciation charged to cost of sales			**(24,153)**	(23,567)
Amortisation charged to cost of sales			**(4,687)**	(5,613)
Expected credit losses			**(207)**	(1,824)
Adjusted gross profit			**69,409**	52,746
Impairment loss			**(3,565)**	(13,192)
Reversal of impairment			**36,993**	20,980
Gross profit			**102,837**	60,534
Finance expense			**(31,431)**	(17,656)
Impact of change in fair value of warrants			**(11,077)**	(2,481)
Other general and administrative expenses			**(14,645)**	(13,212)
Foreign exchange loss, net			**(987)**	(138)
Other income			**12**	68
Finance income			**221**	11
Profit for the year before taxation			**44,930**	27,126

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the years.

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the key decision makers on a segmental basis and are therefore, not disclosed.

Information about major customers

During the year, four customers (2022: four) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by year, was US$ 49.7 million, US$ 38.1 million, US$ 25.3 million and US$ 15.4 million (2022: US$ 9.0 million, US$ 22.1 million, US$ 43.1 million and US$ 22.4 million).

30 Segment reporting continued

Geographical segments

Revenue by geographical segment is based on the geographical location of the customer as shown below.

	2023 US$'000	2022 US$'000
United Arab Emirates	**58,452**	51,848
Saudi Arabia	**38,088**	22,645
Qatar	**40,680**	44,259
Total – Arabian Peninsula region	**137,220**	118,752
Total – Europe	**14,383**	14,405
Worldwide Total	**151,603**	133,157

Type of work

The Group operates in both the oil and gas and renewables sector. Oil and gas revenues are driven from both client operating cost expenditure and capex expenditure. Renewables are primarily driven by windfarm developments from client expenditure. Details are shown below.

	2023 US$'000	2022 US$'000
Oil and Gas	**137,220**	118,752
Renewables	**14,383**	14,405
Total	**151,603**	133,157

Reversal of impairment of US$ 37.0 million and impairment charge of US$ 3.6 million was recognised in respect of property and equipment (Note 5) (2022: Reversal of impairment of US$ 21.0 million and impairment charge of US$ 13.2 million) attributable to the following reportable segments:

	2023 US$'000	2022 US$'000
E-Class vessels	**(16,340)**	(3,319)
S-Class vessels	**(4,462)**	4,631
K-Class vessels	**(12,626)**	(9,100)
	(33,428)	(7,788)

	E-Class vessels US$'000	S-Class vessels US$'000	K-Class vessels US$'000	Total US$'000
2023				
Depreciation charged to cost of sales	**12,892**	**5,660**	**5,601**	**24,153**
Amortisation charged to cost of sales	**2,035**	**692**	**1,960**	**4,687**
Net reversal of impairment	**(16,340)**	**(4,462)**	**(12,626)**	**(33,428)**
2022				
Depreciation charged to cost of sales	12,694	5,829	5,044	23,567
Amortisation charged to cost of sales	2,302	839	2,472	5,613
Impairment charge/(reversal of impairment charge) – net	(3,319)	4,631	(9,100)	(7,788)

31 Presentation of adjusted non-GAAP results

The following table provides a reconciliation between the Group's adjusted non-GAAP and statutory financial results:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Adjusted non-GAAP results US$'000	**Adjusting items US$'000**	**Statutory total US$'000**	Adjusted non-GAAP results US$'000	Adjusting items US$'000	Statutory total US$'000
Revenue	**151,603**	**–**	**151,603**	133,157	–	133,157
Cost of sales						
– Vessel operating expenses before depreciation, amortisation and impairment	**(53,147)**	**–**	**(53,147)**	(49,407)	–	(49,407)
– Depreciation and amortisation	**(28,840)**	**–**	**(28,840)**	(29,180)	–	(29,180)
Expected credit losses	**(207)**	**–**	**(207)**	(1,824)	–	(1,824)
Net reversal of impairment*	**–**	**33,428**	**33,428**	–	7,788	7,788
Gross profit	**69,409**	**33,428**	**102,837**	52,746	7,788	60,534
General and administrative						
– Amortisation	**(3,188)**	**–**	**(3,188)**	(2,635)	–	(2,635)
– Depreciation	**(145)**	**–**	**(145)**	(128)	–	(128)
– Other administrative costs	**(10,727)**	**–**	**(10,727)**	(10,449)	–	(10,449)
– Exceptional legal costs**	**–**	**(585)**	**(585)**	–	–	–
Operating profit	**55,349**	**32,843**	**88,192**	39,534	7,788	47,322
Finance income	**221**	**–**	**221**	11	–	11
Finance expense	**(31,431)**	**–**	**(31,431)**	(17,656)	–	(17,656)
Impact of change in fair value of warrants	**(11,077)**	**–**	**(11,077)**	(2,481)	–	(2,481)
Other income	**12**	**–**	**12**	68	–	68
Foreign exchange loss, net	**(987)**	**–**	**(987)**	(138)	–	(138)
Profit before taxation	**12,087**	**32,843**	**44,930**	19,338	7,788	27,126
Taxation (charge)/credit						
– Taxation charge	**(2,329)**	**–**	**(2,329)**	(1,724)	–	(1,724)
– Exceptional tax expense**	**–**	**(533)**	**(533)**	–	–	–
Profit for the year	**9,758**	**32,310**	**42,068**	17,614	7,788	25,402
Profit attributable to:						
Owners of the Company	**9,032**	**32,310**	**41,342**	17,538	7,788	25,326
Non-controlling interests	**726**	**–**	**726**	76	–	76
Earnings per share (basic)	**0.89**	**3.18**	**4.07**	1.73	0.76	2.49
Earnings per share (diluted)	**0.86**	**3.06**	**3.92**	1.71	0.76	2.47
Supplementary non statutory information						
Operating profit	**55,349**	**32,843**	**88,192**	39,534	7,788	47,322
Add: Depreciation and amortisation	**32,173**	**–**	**32,173**	31,944	–	31,944
Adjusted EBITDA	**87,522**	**32,843**	**120,365**	71,478	7,788	79,266

* The reversal of impairment credit/impairment charge on certain vessels have been added back to gross profit to arrive at adjusted gross profit for the year ended 31 December 2023 and 2022 (refer to Note 5 for further details). Management has adjusted this due to the nature of the transaction which it believes is not directly related to operations management are able to influence. This measure provides additional information on the core profitability of the Group.

** These exceptional legal cost and exceptional tax expense relates to ZATCA transfer pricing case legal fee and expected tax outcome as explained in Note 8.

31 Presentation of adjusted non-GAAP results continued

	Year ended 31 December 2023			Year ended 31 December 2022		
	Adjusted non-GAAP results US$'000	**Adjusting items US$'000**	**Statutory total US$'000**	Adjusted non-GAAP results US$'000	Adjusting items US$'000	Statutory total US$'000
Cash flow reconciliation:						
Profit for the year	**9,758**	**32,310**	**42,068**	17,614	7,788	25,402
Adjustments for:						
Net reversal of impairment*	**–**	**(33,428)**	**(33,428)**		(7,788)	(7,788)
Finance expenses	**31,431**	**–**	**31,431**	17,656	–	17,656
Impact of change in fair value of warrants	**11,077**	**–**	**11,077**	2,481	–	2,481
Other adjustments**	**34,145**	**1,118**	**35,263**	35,276	–	35,276
Cash flow from operating activities before movement in working capital	**86,411**	**–**	**86,411**	73,027	–	73,027
Change in trade and other receivables	**2,003**	**–**	**2,003**	5,610	–	5,610
Change in trade and other payables	**8,140**	**–**	**8,140**	5,005	–	5,005
Cash generated from operations	**96,554**	**–**	**96,554**	83,642	–	83,642
Income tax paid	**(2,151)**	**–**	**(2,151)**	(1,077)	–	(1,077)
Net cash flows from operating activities	**94,403**	**–**	**94,403**	82,565	–	82,565
Net cash flows used in investing activities	**(12,788)**	**–**	**(12,788)**	(6,304)	–	(6,304)
Payment of issue costs on bank borrowings	**(374)**	**–**	**(374)**	(148)	–	(148)
Other cash flows used in financing activities	**(84,850)**	**–**	**(84,850)**	(72,109)	–	(72,109)
Net cash flows used in financing activities	**(85,224)**	**–**	**(85,224)**	(72,257)	–	(72,257)
Net change in cash and cash equivalents	**(3,609)**	**–**	**(3,609)**	4,004	–	4,004

* The reversal of impairment credit/impairment charge on certain vessels and related assets have been added back to cash flow from operating activities before movement in working capital for the year ended 31 December 2023 and 2022 (refer to Note 5 for further details).

** These exceptional legal cost and exceptional tax expense relates to ZATCA transfer pricing case legal fee and expected tax outcome as explained in Note 8.

32 Earnings per share

	2023	2022
Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to Owners of the Company (US$'000)	**41,342**	25,326
Profit for the purpose of adjusted basic and diluted earnings per share (US$'000) (*Note 31*)	**9,032**	17,538
Weighted average number of shares ('000)	**1,016,415**	1,016,415
Weighted average diluted number of shares in issue ('000)	**1,055,003**	1,024,124
Basic earnings per share (cents)	**4.07**	2.49
Diluted earnings per share (cents)	**3.92**	2.47
Adjusted earnings per share (cents)	**0.89**	1.73
Adjusted diluted earnings per share (cents)	**0.86**	1.71

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (as disclosed in the statement of comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Adjusted earnings per share is calculated on the same basis but uses the profit for the purpose of basic earnings per share (shown above) adjusted by adding back the non-operational items, which were recognised in the consolidated statement of profit or loss and other comprehensive income (*Note 31*). The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of outstanding warrants and LTIPs during the year.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (*Note 31*) attributable to equity holders of the Group.

The following table shows a reconciliation between the basic and diluted weighted average number of shares:

	2023 '000s	2022 '000s
Weighted average basic number of shares in issue	**1,016,415**	1,016,415
Weighted average effect of LTIPs	**–**	7,709
Weighted average effect of warrants	**38,588**	–
Weighted average diluted number of shares in issue	**1,055,003**	1,024,124

33 Revenue

All revenue in the above table is in scope of IFRS 15 with the exception of lease income which is in scope of IFRS 16.

	2023 US$'000	2022 US$'000
Charter hire	**76,111**	70,295
Lease income	**57,073**	44,543
Messing and accommodation	**9,173**	12,746
Manpower income	**5,418**	3,516
Mobilisation and demobilisation	**2,255**	1,281
Sundry income	**1,573**	776
	151,603	133,157
Revenue recognised – over time	**149,871**	131,958
Revenue recognised – point in time	**1,732**	1,199
	151,603	133,157

Included in mobilisation and demobilisation income is an amount of US$ 0.6 million (2022 US$ 0.6 million) that was included as deferred revenue at the beginning of the financial year.

Lease income:

	2023 US$'000	2022 US$'000
Maturity analysis:		
Year 1	**68,207**	57,665
Year 2	**56,551**	36,696
Year 3 – 5	**73,649**	32,947
	198,407	127,308
Split between:		
Current	**68,207**	57,665
Non-current	**130,200**	69,643
	198,407	127,308

Further descriptions on the above types of revenue have been provided in *Note 3*.

34 Finance income

	2023 US$'000	2022 US$'000
Bank interest	**221**	11

35 Finance expense

	2023 US$'000	2022 US$'000
Interest on bank borrowings	**29,456**	17,231
Gain on IRS reclassified to profit or loss	**279**	279
Net loss/(gain) on changes in fair value of interest rate swap (*Note 11*)	**59**	(1,078)
Interest on lease liabilities (*Note 23*)	**245**	170
Other finance expenses	**1,392**	1,054
	31,431	17,656

36 Profit for the year

The profit for the year is stated after charging/(crediting):

	2023 US$'000	2022 US$'000
Total staff costs (see below)	**31,230**	27,350
Depreciation of property and equipment (*Note 5*)	**24,297**	23,695
Amortisation of dry-docking expenditure (*Note 6*)	**4,687**	5,613
Depreciation of right-of-use assets (*Note 7*)	**3,188**	2,635
Net charge of expected credit losses (*Note 9*)	**207**	1,824
Auditor's remuneration (see below)	**1,127**	787
Net foreign exchange loss	**987**	138
Other income	**(12)**	(68)
Expense relating to short term leases or leases of low value assets (*Note 7*)	**228**	965
Reversal of impairment loss (*Note 5*)	**(33,428)**	(7,788)

The average number of full time equivalent employees (excluding non-executive Directors) by geographic area was:

	2023 Number	2022 Number
Arabian Peninsula region	**598**	539
Rest of the world	**30**	28
	628	567

The total number of full-time equivalent employees (including executive Directors) as at 31 December 2023 was 660 (31 December 2022: 594). The number of full-time employees increased in the year due to an increase in offshore headcount from the second half of the year.

Their aggregate remuneration comprised:

	2023 US$'000	2022 US$'000
Wages and salaries	**30,477**	26,845
End of service benefit (*Note 20*)	**723**	270
Share based payment charge	**17**	45
Employment taxes*	**13**	190
	31,230	27,350

* Employment taxes include US$ 6K (2022: US $ 0.17 million) in respect of social security costs for our crew working in France.

The analysis of the auditor's remuneration is as follows:

	2023 US$'000	2022 US$'000
Group audit fees	**700**	520
Overruns and out of pocket expenses in relation to 2022 Group audit	**177**	–
Subsidiary audit fees	**100**	100
Total audit fees	**977**	620
Audit-related assurance services	**150**	167
Total fees	**1,127**	787

37 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivatives (Note 11) US$'000	Lease liabilities (Note 23) US$'000	Bank borrowings (Note 22) US$'000
At 1 January 2022	1,793	2,924	379,526
Financing cash flows			
Repayment of bank borrowings	–	–	(51,445)
Principal elements of lease payments	–	(2,524)	–
Settlement of derivatives	(384)	–	–
Interest paid	–	(170)	(17,227)
Total financing cashflows	(384)	(2,694)	(68,672)
Non-cash changes:			
Recognition of new lease liability additions	–	3,122	–
Interest on lease liabilities (*Note 35*)	–	170	–
Interest on bank borrowings (*Note 35*)	–	–	17,231
Net gain on change in fair value of IRS (*Note 11*)	(1,078)	–	–
Impact of change in fair value of warrants (*Note 11*)	2,481	–	–
Total non-cash changes	1,403	3,292	17,231
At 31 December 2022	2,812	3,522	328,085
Financing cash flows			
Repayment of bank borrowings	**–**	**–**	**(56,174)**
Working capital facility			**2,000**
Principal elements of lease payments	**–**	**(3,330)**	**–**
Settlement of derivatives	**327**	**–**	**–**
Interest paid	**–**	**(245)**	**(27,428)**
Total financing cashflows	**327**	**(3,575)**	**(81,602)**
Non-cash changes:			
Recognition of new lease liability additions	**–**	**3,231**	**–**
Derecognition of lease liability	**–**	**(67)**	**–**
Interest on lease liabilities (*Note 35*)	**–**	**245**	**–**
Interest on bank borrowings (*Note 35*)	**–**	**–**	**29,456**
Net gain on change in fair value of IRS (*Note 11*)	**59**	**–**	**–**
Impact of change in fair value of warrants (*Note 11*)	**11,077**	**–**	**–**
Total non-cash changes	**11,136**	**3,409**	**29,456**
At 31 December 2023	**14,275**	**3,356**	**275,939**

38 Events after the reporting period

There were no subsequent events, that impact to these consolidated financial statements after the reporting period.

39 Reclassification

Certain figures have been reclassified since the comparative consolidated financial statements as presented below. We believe the revised presentation gives users better information to understand these consolidated financial statements given the materiality of the warrants in the current period.

	Before reclassification US$'000	Reclassifications US$'000	After reclassification US$'000
Consolidated statement of profit or loss and other comprehensive income			
Finance expense (Note 35)	(20,137)	2,481	(17,656)
Impact of change in fair value of warrants	–	(2,481)	(2,481)

A transposition error was identified in relation to the presentation of derivative financial instruments on the face of the consolidated statement of financial position in the prior period. A current derivative liability ($3.2m) was included in both the current liability and non-current liability section of the statement of financial position. This has been corrected in the comparative amounts in the current year.

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
Non-current assets			
Investment in subsidiaries	5	**368,666**	248,580
Other receivables	7	**93,943**	67,663
Total non-current assets		**462,609**	316,243
Current assets			
Other receivables	7	**143**	159
Cash and cash equivalents	6	**25**	2
Total current assets		**168**	161
Creditors: Amounts falling due within one year			
Other payables	9	**91,464**	61,631
Warrants	10	**14,275**	3,198
Net current liabilities		**105,571**	64,668
Net assets		**357,038**	251,575
Equity			
Share capital – Ordinary	11	**30,117**	30,117
Capital redemption reserve	11	**46,445**	46,445
Share premium account	11	**99,105**	99,105
Share based payment reserve		**–**	3,631
Retained earnings		**181,371**	72,277
Total equity		**357,038**	251,575

The Company reported a profit for the financial year ended 31 December 2023 of US$ 105.5 million (2022: Profit US$ 14.9 million).

The separate financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 03 April 2024. Signed on behalf of the Board of Directors.

Jyrki Koskelo
Independent non-executive Director

Mansour Al Alami
Executive Chairman

The attached *Notes 1 to 15* form an integral part of these separate financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital – Ordinary US$'000	Share capital – Deferred US$'000	Capital redemption reserve US$'000	Share premium account US$'000	Share based payment reserve US$'000	Retained earnings US$'000	Total equity US$'000
At 1 January 2022	30,117	46,445	–	99,105	3,647	57,410	236,724
Profit for the year	–	–	–	–	–	14,867	14,867
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	14,867	14,867
Transactions with owners of the Company							
Capital reorganisation *(Note 11)*	–	(46,445)	46,445	–	–	–	–
Share based payment charge *(Note 13)*	–	–	–	–	45	–	45
Cash settlement of share-based payments *(Note 13)*	–	–	–	–	(61)	–	(61)
Total transactions with owners of the Company	–	(46,445)	46,445	–	(16)	–	(16)
At 31 December 2022	**30,117**	**–**	**46,445**	**99,105**	**3,631**	**72,277**	**251,575**
Profit for the year	–	–	–	–	–	105,463	105,463
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	105,463	105,463
Transactions with owners of the Company							
Share based payment charge *(Note 13)*	–	–	–	–	17	(17)	–
Transfer of share option reserve *(Note 13)*	–	–	–	–	(3,648)	3,648	–
Total transactions with owners of the Company	–	–	–	–	(3,631)	3,631	–
At 31 December 2023	**30,117**	**–**	**46,445**	**99,105**	**–**	**181,371**	**357,038**

The attached notes 1 to 15 form an integral part of these separate financial statements.

NOTES TO COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 Corporate information
Gulf Marine Services PLC ("the Company") is a public company limited by shares in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office of the Company is 107 Hammersmith Road, London, United Kingdom, W14 0QH. The registered number of the Company is 08860816. The Company is the parent company of the Gulf Marine Services PLC Group comprising of Gulf Marine Services PLC and its underlying subsidiaries ("the Group"). The shareholder pattern of the Group is disclosed on page 73 of the annual report. The consolidated Group accounts are publicly available.

2 Material accounting policies
Currency
The functional and presentational currency of the Company is US Dollars ("US$").

Going concern
The Company's ability to continue as a going concern is premised on the same assessment as the Group.

The Directors have assessed the Group's financial position through to June 2025 and hold a reasonable expectation of its ability to continue as going concern for the foreseeable future. With three consecutive years of reported profit and a forecast of continued positive operating cash flows, particularly in light of the market outlook, the Group remains well-positioned for sustained success.

During the year, the Group made a repayment of US$ 56.2 million (2022: US$ 51.4 million) towards its borrowings, of which, US$ 26.2 million (2022: US$ 3.8 million) were over and above its contractual obligations, resulting in a reduction in the current ratio. A total of US$ 33.7 million (2022: US$ 3.8 million) was prepaid during 2023. Hence, the Group was in a net current liability position as of 31 December 2023, amounting to US $52.1 million (2022: US$15.8 million). Management closely monitors the Group's liquidity position including focus on the forecasted short-term cash flows which would be sufficient to meet the Group's current liabilities, in particular, the current portion of the bank borrowings which represents the principal repayments due over the next 12 months. The loan prepayments were also made after ensuring that forecasted cash inflows are sufficient to meet the Group's short-term obligations.

The Group also has a revolving working capital facility which amounts to US$ 40.0 million (31 December 2022: US$ 45.0 million). US$ 25.0 million (31 December 2022: US$ 25.0 million) of the working capital facility is allocated to performance bonds and guarantees and US$ 15.0 million (31 December 2022: US$ 20 million) is allocated to funded portion, of which US$ 2.0 million was utilised as of 31 December 2023, leaving US$ 13.0 million available for drawdown (31 December 2022: US$ 20.0 million). The working capital facility expires alongside the main debt facility in June 2025.

The Group is in the process of refinancing its term facility in advance as the bullet payment becomes due in June 2025. Management's ongoing discussions with various lending entities are aimed at securing terms that align with our long-term strategic objectives, ensuring continued financial stability. Given the strong financial performance reported during 2023 and the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve. As such, we are optimistic about the outcome of these negotiations.

The forecast used for Going Concern reflects management's key assumptions including those around utilisation, vessel day rates on a vessel-by-vessel basis and refinancing of its term facility during latter half of the coming year. Specifically, these assumptions are:
- average day rates across the fleet are assumed to be US$ 34.0k for the 18-month period to 30 June 2025;
- 94% forecast utilisation for the 18-month period to 30 June 2025;
- Strong pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

A downside case was prepared using the following assumptions:
- no work-to-win during the 18-months period to 30 June 2025;
- 17 percentage points reduction in utilisation for the 18-months period to 30 June 2025;
- interest rate to remain at current levels instead of a forecasted decline of 25 bases points commencing second quarter of 2024.

Based on the above scenario, the Group would not be in breach of its current term loan facility. The downside case is considered to be severe, but it would still leave the Group with US$ 7.9 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the assessment period.

In addition to the above downside sensitivity, the Directors have also considered a reverse stress test, where EBITDA has been sufficiently reduced to breach debt covenant. This scenario assumes a substantial increase in operational downtime to 7%, compared to the base case cashflows with a 2.5% operational downtime. The significant increase in operational downtime for 2024 would result in breach of the Finance Service Cover ratio as at 31 December 2024.

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity. Potential mitigating actions include the vessels off hire for prolonged periods could be cold stacked to minimise operating costs on these vessels which has been factored into the downside case. Additional mitigations could be considered including but not limited to reduction in overhead costs, relaxation/waiver from covenant compliance and rescheduling of repayments with lenders.

Management is aware of the broader operating context and acknowledges the potential impact of climate change on the Group's financial statements. However, it is anticipated that the effect of climate change will be negligible during the going concern assessment period.

After considering reasonable risks and potential downsides, the Group's forecasts suggest that its bank facilities, combined with increased utilization at higher day rates and a strong pipeline of near-term opportunities for additional work, will provide sufficient liquidity to meet its needs in the foreseeable future. Accordingly, the consolidated financial statements for the Group for the year ended 31 December 2023 have been prepared on a going concern basis.

2 Material accounting policies (continued)

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. These have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 (the 'Act') to not present the Company Income Statement nor the Company Statement of Comprehensive Income. The result for the Company for the year was a profit of US$ 105.5 million (2022: US$ 14.9 million). The principal accounting policies are summarised below. They have all been applied consistently throughout both years.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore, taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to the presentation of a statement of profit or loss and other comprehensive income, cash flow statement, remuneration of key management personnel, and financial instrument disclosures. Refer to note 24 for remuneration of key management personnel and note 27 for financial instrument disclosures in consolidated financial statements.

Investments

Investments in subsidiaries are recognised at cost less impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss (''FVTPL'') or ''other financial liabilities''.

Other payables are classified as ''other financial liabilities''. Other financial liabilities are initially measured at the transaction price, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method, with interest expense recognised on an effective interest rate, except for short-term payables or when the recognition of interest would be immaterial.

The EIR method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative liability

The Company considers whether a contract contains a derivative liability, including warrants, when it becomes a party to the contract. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets

Basic financial assets including other receivables and cash and bank balances are initially measured at transaction price, plus transaction costs. Such assets are subsequently carried at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Impairment of financial assets

Financial assets, includes investment in subsidiaries, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Taxation

Current tax, including UK Corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Deferred tax is measured on a non-discounted basis. Timing differences are differences between the Company's taxable profits and its results as stated in the separate financial statements that arise from the inclusion of gains and losses in tax assessment periods different from those in which they are recognised in the separate financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit or loss account.

Share-based payments

The fair value of an equity instrument is determined at the grant date based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available for share awards, the fair value of the equity instruments is estimated using a valuation technique to derive an estimate of what the price of those equity instruments would have been at the relevant measurement date in an arm's length transaction between knowledgeable, willing parties. Equity-settled share-based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Company's share price at the date of grant.

The fair value measurement reflects all market based vesting conditions. Service and non-market performance conditions are taken into account in determining the number of rights that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in *Note 2*, 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.

Critical judgements in applying the Company's accounting policies

Critical accounting judgements are those which management make in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

Management has not made any critical judgements in applying the Company's accounting policies for the year ended 31 December 2023.

Key source of estimation uncertainty

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.

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year, are outlined below.

Recoverability of investments

As noted above, the Company performs impairment reviews in respect of investments whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount. The recoverability of investments is primarily impacted by the cash flows of the vessels owned by the Group's subsidiary undertakings and cashflows related to the Group's debt facility.

The projection of cash flows related to vessels and debt facility requires the use of various estimates including future day rates, vessel utilisation levels, and discount rates, in which the estimate is most sensitive. For further details on analysis of the sensitivities of these estimates, refer to Note 5. The Company undertook a full impairment review of its investments during the year. The review led to the recognition of an aggregate impairment reversal of US$ 120.1 million (2022: US$ 18.8 million) on the investment in subsidiaries (see Note 5). As at 31 December 2023, the Company had investments of US$ 368.7 million (2022: US$ 248.6 million).

Fair valuation of Warrants

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo option-pricing model. The simulation considers sensitivity by building models of possible results by substituting a range of values. The increase in fair value of the warrants is primarily due to increase in share price and its volatility. A 10% change in share price will increase or decrease the valuation by US$ 0.2 million.

4 Dividends

There was no dividend declared or paid in 2023 (2022: nil). No final dividend in respect of the year ended 31 December 2023 is to be proposed at the 2023 AGM. The Directors have approved a residual dividend policy which seeks to strike a balance between funding growth initiatives and providing returns to shareholders. Management is currently evaluating the timing for its implementation.

5 Investment in subsidiaries

	2023 US$'000	2022 US$'000
Gross investment in subsidiaries as at 1 January	**574,472**	574,472
Gross investment in subsidiaries as at 31 December	**574,472**	574,472
Impairment as at 1 January	**(325,892)**	(344,666)
Impairment reversal of investments during the year	**120,086**	18,774
Impairment as at 31 December	**(205,806)**	(325,892)
Carrying amount as at 31 December	**368,666**	248,580

Based on the impairment reviews performed in previous years, management recognised impairment losses of US$ 327.7 million and US$ 17.0 million for the year ended 31 December 2020 ("FY20") and for the year ended 31 December 2021 ("FY21"), respectively. As conditions improved, including day rates, utilization, and market outlook, the historical impairment losses were subsequently reversed of US$ 18.8 million in fiscal year 2022.

As at 31 December 2023, and in line with the FRS 102 requirements, management concluded that a formal impairment assessment was required to determine the recoverable amount of its investments in subsidiaries. Factors considered by management included favourable indicators, including an improvement in utilization, day rates, an increase in market values of vessels and decrease in interest rate, and unfavourable indicators including the market capitalization of the Group remaining below the book value of the Group's equity.

The review was done by determining the recoverable amount of each vessel in the fleet as the underlying cash generating units of the investment in subsidiaries. The net bank debt of the GMS Group was then deducted from the value in use of the investments, which was based on the combined value in use of vessels within the Group.

The Group also obtained an independent valuation of its vessels as at 31 December 2023 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does not consider these valuations to represent a reliable estimate of the fair value for the purpose of assessing the recoverable value of the Group's vessels, noting that there have been limited, if any, "willing buyer and willing seller" transactions of similar vessels in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations, management concluded that recoverable amount should be based on value in use.

Value in use assessment is based on management's projections of utilisation and day rates and associated cash flows and adjusted to include full overheads and future tax charges. The risk adjusted cash flows were discounted using the post-tax discount rate of 11.5% (2022: 12.1%), which is based on the Group's weighted average cost of capital. The cost of equity incorporated in the computation of the discount rate is based on the industry sector average betas, risk-free rate of return as well as Group specific risk premium reflecting any additional risk factors relevant to the Group. A post tax discount rate was used as the cashflows to derive the value in use of investment in subsidiaries includes the impacts of tax as described above.

The review led to the recognition of an aggregate impairment reversal of US$ 120.1 million (2022: US$ 18.8 million) on the investment in subsidiaries. The assessment described above takes into account complete profitability of underlying investments which also included implications of tax and debt.

The Company has conducted an analysis of the sensitivity of the impairment test to reasonably possible changes in the key assumptions (day rates, utilisation and nominal post-tax discount rates) used to determine the recoverable amount of investments.

The first sensitivity modelled a 10% increase/reduction to day rates over the remaining useful economic life of vessels included in investments. A second sensitivity modelled a 10% increase/reduction to utilisation rates. Management would not expect an assumption change of more than 10% across all vessels within the next financial year, and accordingly believes that a 10% sensitivity to day rates and utilisation is appropriate.

A third sensitivity was modelled where a 1% increase/decrease was applied to the post-tax discount rate mentioned above. Given that the change in the discount rate from the previous year is less than 1%, a 1% increase or decrease was deemed appropriate for this analysis.

The results of the first sensitivity indicated that a 10% decrease to day rates would reverse the impairment reversal of US$ 120.1 million and result in additional impairment charge of US$ 1.7 million (total impact of US$ 121.8 million). In comparison, a 10% increase to day rates would increase the impairment reversal by US$ 113.8 million to US$ 233.9 million. The total carrying amount of investments would be US$ 246.9 million and US$ 482.4 million, respectively.

The results of the second sensitivity indicated that a 10% decrease to utilisation would reverse the impairment reversal of 120.1 million and result in additional impairment charge of US$ 1.7 million (total impact of US$ 121.8 million). In comparison, a 10% increase to utilisation would increase the impairment reversal by US$ 71.3 million to US$ 191.4 million. The total carrying amount of investments would be US$ 246.9 million and US$ 440.0 million, respectively.

The results of the third sensitivity indicated that a 1% decrease to the post-tax discount rate would lead to an increase in impairment reversal by US$ 45.2 million to US$ 165.3 million, whereas a 1% increase to the post-tax discount rate would lead to decrease to the impairment reversal by US$ 40.1 million to US$ 80.0 million. The total carrying amount of investments would be US$ 413.9 million and US$ 328.6 million, respectively.

The Company has investments in the following subsidiaries:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest		Type of Activity
			2023	2022	
Gulf Marine Services W.L.L.	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	Marine contractors
Offshore Holding Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Holding Company
Offshore Logistics Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Dormant
Offshore Accommodation Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Dormant
Offshore Jack-up Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Kamikaze”
Offshore Craft Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “GMS Endeavour”
Offshore Structure Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Kikuyu”
Offshore Maritime Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of “Helios” – Dormant
Offshore Tugboat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of “Atlas” – Dormant
Offshore Boat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Kawawa”
Offshore Kudeta Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Kudeta”
GMS Endurance Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Endurance”
Gulf Marine Services (UK) Limited	United Kingdom	14 Carden Place, Aberdeen, AB10 1UR	**100%**	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	King Fahad Road, Al Khobar, Eastern Province , P.O. Box 31411 Kingdom Saudi Arabia	**75%**	75%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	**100%**	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Enterprise”
GMS Sharqi Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Sharqi”
GMS Scirocco Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Scirocco”
GMS Shamal Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Shamal”
GMS Jersey Holdco. 1 Limited*	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General investment
GMS Jersey Holdco. 2 Limited	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General investment
GMS Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamriyah Free Zone, Sharjah	**100%**	100%	Operator of offshore barges
GMS Global Commercial Invt LLC	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	General investment
GMS Keloa Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Keloa”
GMS Pepper Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Pepper”
GMS Evolution Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Evolution”
Gulf Marine Services LLC	Qatar	Qatar Financial Centre, Doha	**100%**	100%	Marine contractor
Mena Marine Limited**	Singapore	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	**0%**	100%	General investment
GMS Phoenix Investment SA		Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Dormant

*Held directly by Gulf Marine Services PLC. **Wound up on 29 December 2023.

6 Cash and cash equivalents

	2023 US$'000	2022 US$'000
Interest bearing		
Cash at bank	**25**	2
Total cash and cash equivalents	**25**	2

7 Other receivables

	2023 US$'000	2022 US$'000
Non-current assets		
Amounts receivable from Group undertakings	**93,943**	67,663
	93,943	67,663
Current assets		
Prepayments	**143**	159
	143	159
	94,086	67,822

Amounts receivable from Group undertakings are interest-free, unsecured and have no fixed repayment terms.

8 Deferred tax asset

At the reporting date, the Company has unused tax losses of US$ 20.8 million available for offset against future profits (2022: US$ 16.4 million). These UK tax losses may be carried forward indefinitely. The Company is not expected to have any future taxable profits to be able to utilise the deferred tax assets and therefore, no deferred tax asset has been recognised in the current year (2022: Nil).

9 Other payables

	2023 US$'000	2022 US$'000
Amounts falling due within one year		
Amounts owed to Group undertakings	**89,770**	60,801
Accruals	**1,694**	830
	91,464	61,631

Amounts owed to Group undertakings are current, interest-free, unsecured and have no fixed repayment terms.

Balances with related parties are repayable on demand. The present value of the liability is deemed to equal the undiscounted cash amount payable. No interest charge is therefore, imputed on these amounts.

10 Warrants

Under the terms of the Group's loan facility, the Group was required to issue warrants to its lenders as GMS had not raised US$ 50.0 million of equity by 31 December 2022.

On 2 January 2023, as the US$ 50.0 million equity raise did not take place, therefore, 87,621,947 warrants were issued to the lenders. Based on the final report prepared by a Calculation Agent, the warrants give right to their holders to acquire 137,075,773 shares at an exercise price of 5.75 pence per share for a total consideration of GBP £7.9 million. Warrant holders will have the right to exercise their warrants up to the end of the term of the loan facility, being 30 June 2025.

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo option-pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of our shares to trade in an active market. The simulation considers sensitivity by building models of possible results by substituting a range of values. Warrants valuation represents a Level 3 fair value measurement under IFRS 13 hierarchy. The fair value of the warrants as at 31 December 2023 was US$ 14.3 million (31 December 2022: US$ 3.2 million). The increase in fair value of the warrants is primarily due to increase in share price and its volatility. The share price increased from 4.65 pence as at 31 December 2022 to 14.5 pence as at 31 December 2023. A 10% change in share price will increase or decrease the valuation by US$ 0.2 million.

The movement in the warrants is as follows:

	2023 US$'000	2022 US$'000
As at 1 January	**(3,198)**	(717)
Impacts of change in fair value of warrants	**(11,077)**	(2,481)
As at 31 December	**(14,275)**	(3,198)

11 Share capital and reserves

The share capital of Gulf Marine Services PLC was as follows:

Ordinary shares at £0.02 per share

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2023	1,016,415	30,117
As at 31 December 2023	**1,016,415**	**30,117**

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2022	1,016,415	30,117
As at 31 December 2022	1,016,415	30,117

Capital redemption reserve

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2023	350,488	46,445
As at 31 December 2023	**350,488**	**46,445**

Share premium

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2023	1,016,415	99,105
As at 31 December 2023	**1,016,415**	**99,105**

Prior to an equity raise on 28 June 2021 the Company underwent a capital reorganisation where all existing ordinary shares with a nominal value of 10 pence per share were subdivided and re-designated into 1 ordinary share with a nominal value of 2 pence and 1 deferred share with a nominal value of 8 pence each. The previously recognised share capital balance relating to the old 10p ordinary shares was allocated pro rata to the new subdivided 2p ordinary shares and 8p deferred shares. The deferred shares had no voting rights and no right to the profits generated by the Group. On winding-up or other return of capital, the holders of deferred shares had extremely limited rights, if any. The Company had the right but not the obligation to buyback all of the deferred shares for an amount not exceeding £1.00 in aggregate, which with the shareholders approval, was completed on 30 June 2022. Accordingly, 350,487,787 deferred shares were cancelled. Following the cancellation of the Deferred shares on 30 June 2022, a transfer of $46.4 million was made from Share capital – Deferred to a Capital redemption reserve. There was no dilution to the shares ownership as a result of the share reorganisation.

Under the Companies Act, a share buy-back by a public company can only be financed through distributable reserves or the proceeds of a fresh issue of shares made for the purpose of financing a share buyback. The Company had sufficient reserves to purchase the Deferred shares for £1.00.

The Company has one class of ordinary shares, which carry no right to fixed income.

The share premium account contains the premium arising on issue of equity shares, net of related costs.

Share based payment reserve of nil (2022: US$ 3.6 million) relates to awards granted to employees under the long-term incentive plans.

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

12 Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2023 Number	2022 Number
Administration	**4**	3
	4	3

Their aggregate remuneration comprised:

	2023 US$'000	2022 US$'000
Wages and salaries	**244**	256
	244	256

13 Long term incentive plans

The Company had Long Term Incentive Plans ("LTIPs") which were granted to senior management, managers and senior offshore officers.

The employment condition attached to the Groups' LTIPs was that each eligible employee of the Company must remain in employment during the three-year vesting period. For 2019 and 2020 awards, LTIPs were aligned to Company's share performance. The release of these shares was conditional upon continued employment and market vesting conditions. There were no LTIP awards granted during 2021.

During the year ended 31 December 2023, the market vesting conditions for the LTIP awards granted in 2020 were not met, and all LTIP awards issued in 2020 were forfeited.

During the year ended 31 December 2022, additional LTIPs awards were granted to the Chairman and Senior Management. The awards were to vest over three years subject to the same employment conditions and performance conditions being met in 2024 based on defined ranges. There was an underpin condition such that no awards would vest if the debt leverage in the Group exceeded 4.0 times EBITDA at 31 December 2022. As this criterion had not been met all LTIP awards issued in 2022 were forfeited.

Equity-settled share-based payments were measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo statistical method, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award was determined by taking into account the performance conditions, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period was based on the number of awards that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payment granted.

To the extent that share-based payments are granted to employees of the Company's subsidiaries without charge, the share-based payment is capitalised as part of the cost of investment in subsidiaries.

The number of share awards granted by the Company during the year is given in the table below:

	2023 000s	2022 000s
At the beginning of the year	**1,176,014**	2,499,714
Granted in the year	**–**	9,460,000
Cash settled in the year	**–**	(921,310)
Forfeited in the year	**(1,176,014)**	(9,862,390)
At the end of the year	**–**	1,176,014

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2023 was nil years (31 December 2022: 0.1 years). The weighted average fair value of shares granted during the period to 31 December 2023 was US$ nil (31 December 2022: US$ 0.06 million).

	LTIP	LTIP	LTIP
Grant date	14 Jun 2022	29 May 2020	15 Nov 2019
Share price	£0.06	£0.09	£0.08
Expected volatility	102%	120%	103%
Risk-free rate	2.17%	0.01%	0.48%
Expected dividend yield	0.00%	0.00%	0.00%
Vesting period	3 years	3 years	3 years
Award life	3 years	3 years	3 years

The expected share price volatility of Gulf Marine Services PLC shares was determined by considering the historical share price movements for a three-year period up to the grant date (and of each of the companies in the peer group). The risk-free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

14 Events after the reporting period

There were no subsequent events, that impact to these separate financial statements after the reporting period.

15 Rectification of error

A typographical error was identified in relation to the total amount presented for Net current liabilities on the face of the Company statement of financial position in the prior period. This has been corrected in the comparative amounts in the current year.

Alternative Performance Measure (APMs) – an APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

APMs are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. Adjusted results are also an important measure providing useful information as they form the basis of calculations required for the Group's covenants. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure. In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the Group.

Adjusted diluted earnings/loss per share – represents the adjusted earnings/loss attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of warrants and Long Term Incentive Plans (LTIPs) outstanding during the period. The adjusted earnings/loss attributable to equity shareholders of the Company is used for the purpose of basic gain/loss per share adjusted by adding back the reversal of impairment, and any exceptional costs. This measure provides additional information regarding earnings per share attributable to the underlying activities of the business. A reconciliation of this measure is provided in Note 32 to the consolidated financial statements.

Adjusted EBITDA – represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges or deducting reversal of impairment. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. A reconciliation of this measure is provided in note 31 to the consolidated financial statements.

Adjusted EBITDA margin – represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

Adjusted gross profit/(loss) – represents gross profit/loss after deducting reversal of impairment/adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 31 to the consolidated financial statements.

Adjusted net profit/(loss) – represents net profit/(loss) after deducting net impairment reversals and adjustment for other exceptional costs. This measure provides additional information in assessing the Group's total performance that management is more directly able to influence and, on a basis, comparable from year to year. A reconciliation of this measure is provided in note 31 to the consolidated financial statements.

Average fleet utilisation – represents the percentage of available days in a relevant period during which the fleet of self-elevating support vessels (SESVs) is under contract and in respect of which a customer is paying a day rate for the charter of the SESVs.

Average fleet utilisation is calculated by adding the total contracted days in the period of each SESV, divided by the total number of days in the period multiplied by the number of SESVs in the fleet.

Cost of sales excluding depreciation and amortisation – represents cost of sales excluding depreciation and amortisation. This measure provides additional information of the Group's cost for operating the vessels. A reconciliation is shown below:

	2023 US$'000	2022 US$'000
Statutory cost of sales	**81,987**	78,587
Less: depreciation and amortisation	**(28,840)**	(29,180)
	53,147	49,407

Cost of sales as a percentage of revenue – represents reported cost of sales divided by revenue.

EBITDA – represents earnings before interest, tax, depreciation and amortisation, which represents operating profit after adding back depreciation and amortisation. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in Note 31.

Margin – revenue less cost of sales before depreciation, amortisation and impairment as identified in Note 31 to the consolidated financial statements.

Net bank debt – represents the total bank borrowings less cash and cash equivalents. This measure provides additional information of the Group's financial position. A reconciliation is shown below:

	2023 US$'000	2022 US$'000
Statutory bank borrowings	**275,939**	328,085
Less: cash and cash equivalents	**(8,666)**	(12,275)
	267,273	315,810

Finance leases are excluded from net bank debt to ensure consistency with definition of the Group's banking covenants.

Net cash flow before debt service – the sum of cash generated from operations and investing activities.

Net leverage ratio – the ratio of net bank debt at year end to adjusted EBITDA which is further adjusted for items including but not limited to reversal of impairment credits/(impairment charges), exceptional legal costs and non-operational finance-related costs in alignment with the terms of our bank facility agreement. The reconciliation is shown below:

	2023 US$'000	2022 US$'000
A: Net bank debt, as identified above	**267,273**	315,810
B: Adjusted EBITDA, as disclosed in Note 31 to the consolidated financial statements	**87,522**	71,478
Net leverage ratio **(A/B):**	**3.05**	4.42

Non-operational finance expenses – this pertains to the items such as cost to acquire new bank facility, fair value movement in debt arrangement, etc.

Operational downtime – downtime due to technical failure.

Segment adjusted gross profit/loss – represents gross profit/loss after adding back depreciation, amortisation and impairment charges. This measure provides additional information on the core profitability of the Group attributable to each reporting segment. A reconciliation of this measure is provided in Note 30 to the consolidated financial statements.

Underlying performance – day-to-day trading performance that management are directly able to influence in the short term.

OTHER DEFINITIONS

Average day rates	we calculate the average day rates by dividing total charter hire revenue per month by total hire days per month throughout the year and then calculating a monthly average.
Backlog	represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.
Borrowing rate	SOFR plus margin.
Calendar days	takes base days at 365 and only excludes periods of time for construction and delivery time for newly constructed vessels.
Costs capitalised	represent qualifying costs that are capitalised as part of a cost of the vessel rather than being expensed as they meet the recognition criteria of IAS 16 Property, Plant and Equipment.
Day rates	rate per day charge to customers per hire of vessel as agreed in the contract.
Demobilisation	fee paid for the vessel redelivery at the end of a contract, in which client is allowed to offload equipment and personnel.
DEPS/DLPS	diluted earnings/losses per share.
Employee retention	percentage of staff who continued to be employed during the year (excluding retirements and redundancies) taken as number of resignations during the year divided by the total number of employees as at 31 December.
EPC	engineering, procurement and construction.
ESG	environmental, social and governance.
Finance service	the aggregate of a) Net finance charges for that period; and b) All scheduled payments of principal and any other schedule payments in the nature of principal payable by the Group in that period in respect of financing: i) Excluding any amounts falling due in that period under any overdraft, working capital or revolving facility which were available for simultaneous redrawing under the terms of that facility; ii) Excluding any amount of PIK that accretes in that period; iii) Including the amount of the capital element of any amounts payable under any finance lease in respect of that period; and iv) Adjusted as a result of any voluntary or mandatory prepayment.
Debt Service Cover	represents the ratio of adjusted EBITDA to debt service.
GCC	Gulf Cooperation Council.
GMS core fleet	consists of 13 SESVs, with an average age of 13 years.
Interest Cover	represents the ratio of adjusted EBITDA to net finance charges.
IOC	Independent Oil Company.
KPIs	key performance indicators.
Lost Time Injuries	any workplace injuries sustained by an employee while on the job that prevents them from being able to perform their job for a period of one or more days.
Lost Time Injury Rate (LTIR)	the lost time injury rate per 200,000 man hours which is a measure of the frequency of injuries requiring employee absence from work for a period of one or more days.
SOFR	Secured Overnight Financing Rate.
Mobilisation	fee paid for the vessel readiness at the start of a contract, in which client is allowed to load equipment and personnel.
Net finance charges	represents finance charges as defined by the terms of the Group’s banking facility for that period less interest income for that period.

Net leverage ratio	represents the ratio of net bank debt to adjusted EBITDA.
NOC	National Oil Company.
PIK	Payment In Kind. Under the banking documents dated 31 March 2021, PIK is calculated at 5.0% per annum on the total term facilities outstanding amount and reduces to: a) 2.5% per annum when net leverage reduces below 5.0x; and b) Nil when net leverage reduces below 4.0x. Under the documents dated 31 March 2021, PIK accrues on either 1 July 2021 if the US$ 25 million equity is not raised by 30 June 2021, or from 1 January 2023 if the US$ 50 million is not raised by 31 December 2022. PIK stops accruing at the date on which all loans are paid or discharged in full.
Secured backlog	represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + (estimated average Persons On Board x daily messing rate) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.
Secured day rates	day rates from signed contracts firm plus options held by clients.
Secured utilisation	contracted days of firm plus option period of charter hire from existing signed contracts.
Security Cover (loan to value)	the ratio (expressed as a percentage) of total net bank debt at that time to the market value of the secured vessels.
SESV	Self-elevating support vessel.
SG&A spend	means that the selling, general and administrative expenses calculated on an accruals basis should be no more than the SG&A maximum spend for any relevant period.
Total Recordable Injury Rate (TRIR)	calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.
Underlying G&A	underlying general and administrative expenses excluding depreciation and amortisation, and exceptional costs.
Utilisation	the percentage of calendar days in a relevant period during which an SESV is under contract and in respect of which a customer is paying a day rate for the charter of the SESV.
Vessel operating expense	Cost of sales before depreciation, amortisation and impairment, refer to Note 31 to the consolidated financial statements.
Warrants	As per the banking document date 31 March 2021, warrants vested on 2 January 2023 upon failure to raise US$ 50 million. These warrants will expire on 30 June 2025 (maturity date of the facilities).

CORPORATE INFORMATION

Board of Directors

Mansour Al Alami
Executive Chairman

Hassan Heikal
Deputy Chairman, non-Executive Director

Lord Anthony St John of Bletso
Independent non-executive Director

Charbel El Khoury
Non-executive Director

Jyrki Koskelo
Independent non-executive Director

Haifa Al Mubarak
Independent non-executive Director

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The outer cover of this report has been laminated with a biodegradable film. Around 20 months after composting, an additive within the film will initiate the process of oxidation.

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