GMS

Gulf Marine Services PLC Annual Report 2020

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Also online at **gmsplc.com/ar2020**

2021 commentary is as at 20 May 2021

Our vision

To be the best SESV operator in the world

2020 Overview

Revenue

US$ 102.5m

(2019: US$ 108.7m)

Utilisation

81%

(2019: 69%)

Adjusted EBITDA

US$ 50.4m

(2019: US$ 51.4m)

Annualised cost savings

US$ 20.7m

(2019: US$ 13.0m)

Loss for the year

US$ (124.3m)

(2019: US$ (85.5m))

2020 Financial Highlights

- Revenue fell by 6% to US$ 102.5 million (2019: US$ 108.7 million). Utilisation improved to 81% from 69% in 2019, with improvements in both of our core markets of MENA and North West Europe. This helped to offset the decrease in average rates of 18%, arising from the COVID-19 operating environment where delayed contract awards meant that two of our E-Class fleet were working at K-Class rates in order to meet demand.
- Cost of sales reduced to US$ 70.9 million (2019: US$ 74.6 million) despite higher utilisation and incurring costs associated with relocating two vessels from Europe to the Middle East and costs arising from the impact of COVID-19 totalling US$ 6.8 million and US$ 2.3 million respectively.
- Adjusted EBITDA[1] at US$ 50.4 million was 2% lower than in 2019, while net cash flow before debt service[2] reduced to US$ 31.9 million (2019: US$ 41.9 million).
- Our cost structure has fundamentally changed, with the cost saving programme now having delivered US$ 20.7 million on an annualised basis, helping to improve underlying trading performance.
- Impairment charges totalled US$ 87.2 million, on two of our E-Class vessels and five of our K-Class.
- Loss for the year rose to US$ 124.3 million from US$ 85.5 million following the impairment, further restructuring and exceptional costs of US$ 5.6 million and the total write-off of US$ 16.2 million relating to the renegotiation of bank facilities in June 2020.

2020 Operational Highlights

- HSE Performance improved with Lost Time Injury Rate at 0 (2019: 0.19) at the end of 2020. Total recordable injury rate was 0 (2019: 0.29).
- Successful first-time deployment of cantilever system on GMS Evolution, a technology designed and developed by GMS. The vessel is now on a long-term contract with the same client.
- Operational downtime remained low at less than 2%.
- Average fleet utilisation increased to 81% (2019: 69%) with marked improvements in both E- and K-Class vessels to 65% (2019: 51%) and 86% (2019: 68%) respectively, reflecting increased demand in Middle East and North Africa (MENA) following the relocation of two E-Class to MENA at the beginning of the year. S-Class declined slightly at 92% (2019: 97%).
- New charters and extensions secured in the year totalled just under seven years.

2020 Governance Highlights

- Four Requisitioned General Meetings held during 2020 resulted in complete Board overhaul.
  - New Executive Chairman, Mansour Al Alami (appointed November 2020).
  - Rashed Al Jarwan joined as an Independent Non-Executive Director (appointed November 2020).
  - Saeed Abdullah Khoory joined as an Independent Non-Executive Director in November 2020 and sadly passed away in February 2021.
  - Hassan Heikal joined as Non-Executive Director (appointed November 2020). In February 2021 Mr Heikal was appointed Deputy Chairman.
- Tim Summers resigned as Executive Chairman in November 2020.
- Steve Kersley, Chief Financial Officer (CFO) removed from Board in June 2020 and resigned in November. Andy Robertson appointed his successor in February 2021.
- Jyrki Koskelo joined the Board as an Independent Non-Executive Director in February 2021.

2021 Highlights and Outlook

- Secured backlog was US$ 199.0 million as at 6 May 2021 (US$ 240 million as at 31 March 2020) with the decrease reflecting delays in some contract awards arising from COVID-19.
- Seven of the fleet of 13 vessels are fully contracted for 2021. Secured utilisation for 2021 currently stands at 80% and 41% for 2022.
- Following appointment of the new Board, the agreement reached with banks in 2021 offers a significant saving in interest costs and an extension of time in which to carry out an equity raise to prevent GMS having to issue warrants or apply PIK[3] to its borrowings.
- Current year-to-date[4] unaudited EBITDA is in line with the Group's 2021 Business Plan.

See Glossary.

1. Represents operating loss after adding back depreciation and amortisation, impairment charges and exceptional items in 2020. A reconciliation of this measure is provided in Note 31.
2. Net cash flow before debt service is the sum of cash generated from operations and investing activities.
3. PIK is calculated at 5.0% per annum on the total term facilities outstanding amount and would have reduced to:
   a. 2.5% per annum when Net Leverage reduces below 5.0x
   b. Nil when Net Leverage reduces below 4.0x.
4. Three months to 31 March 2021.

COVID-19

- Significant operational and financial risks experienced by all businesses across the energy sector persist. Four vessels reported COVID-19 cases during the year.
- Restrictions on travel and quarantine periods proved the biggest challenge to the Company in the year. To overcome this, crew rotations have been temporarily increased to minimise the number of crew changes required. This measure will remain in place for the time being.
- Temporary delays in contract awards, with some client projects unable to commence due to supply chain delays or inability to mobilise manpower.
- Incurred US$ 2.3 million of additional costs relating to COVID-19 in the year, which were mainly in relation to crew quarantine requirements. Changes to operating practices implemented at end of the year should minimise these costs going forward.

Material Uncertainty Statement

- As part of the renegotiation of bank facilities agreed in March 2021, the Company is required to obtain approval from shareholders and raise a minimum of US$ 25 million of new equity (net) by 30 June 2021. Seafox and Mazrui Investments LLC (Mazrui) are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. If the Company fails to meet these requirements then lenders would retain the right to call default on the loans. This would allow a majority of banks, representing at least 66.67% of total commitments, to exercise their rights to demand immediate repayment and/or enforce security granted by the Company as part of this facility at the asset level and/or by exercising the share pledge to take control of the Group.
- This indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on progress to date, shareholder approval will be obtained and US$ 25 million of equity will be raised by 30 June 2021. Accordingly, the going concern basis of accounting has been adopted in preparing the 2020 consolidated financial statements.

New debt arrangements provide a strong platform for future growth

2020 saw the Group make solid progress, despite the impact of the COVID-19 pandemic. During the year, GMS recorded a high level of utilisation, on the back of a series of contract wins, whilst we continued to drive efficiencies to improve our margin[1] and deliver operations safely and securely.

The improved terms to GMS' debt arrangements, as recently announced, combined with progress in two other key areas, maximising utilisation and cost control, places the Company in a good position to deliver further progress in the year ahead. We ended 2020 with vessel utilisation of 81% and already have 80% of 2021 utilisation locked in through secured contracts. Work continues in streamlining our cost base and since my appointment we have implemented a further US$ 3.0 million of annualised savings.

Capital Structure and Liquidity

In November 2020 a new Board was appointed, and I assumed the role of Executive Chairman. A key focus since has been the renegotiation of the terms of the Group's debt facilities. I am delighted to say that we concluded negotiations with our lenders on an improved structure, which will see a significant reduction when compared to the previous arrangements agreed in 2020 and a deferment to the application of PIK interest which was to apply from 1 January 2021.

Under the revised agreement, the tenor and size of facility remain unchanged but certain key structural changes to the facility will give significant benefit to GMS. As well as greatly reducing the cost of borrowings through the 40% reduction in margin in 2021 and 2022, the Company has been granted an extension to the requirement to raise the previously required equity of US$ 75 million. Now a minimum of US$ 25 million of new equity is required to be raised by 30 June 2021 and a further US$ 50 million by the end of 2022. Subject to successfully raising US$ 25 million (net) by 30 June 2021, GMS will no longer be required to issue warrants to its lenders or be charged PIK interest on the loan facilities in 2021 (as was required under the agreement negotiated in June 2020).

Seafox and Mazrui are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. The requirement to obtain approval from our shareholders and raise US$ 25 million of equity (net) by 30 June 2021, to avoid an event of default, represents a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern, that has been highlighted in our consolidated financial statements. Despite this, the Directors consider there is good reason to believe that the equity raise will be successfully completed in a timely fashion. This is based on the progress made to date, and two of our existing shareholders, representing 42% of the share capital of the Company, having already informally committed their prorated share of the US$ 25 million. The Board would like to thank the two shareholders for their extensive work and support to deliver this improved debt deal, which is a milestone for the business.

The reduced cost of the debt facilities, combined with a planned equity raise, will see a significant improvement to GMS' future leverage levels. The positive impact this will have on the business cannot be understated. It frees up capital that would otherwise have been tied up in managing the Company's debts and gives us the greater flexibility needed to drive the business forward.

Governance

In November 2020, I joined as Executive Chairman as part of a new Board, following resolutions passed by shareholders at a General Meeting. In light of Tim Summers having stepped down from the Board, I was appointed Chairman, and subsequently Executive Chairman, a role which I continue to hold in leading the business and the Board. Whilst holding the positions of both Chairman and Chief Executive is not recommended by the 2018 UK Corporate Governance Code (the Code), the Board has concluded that this continues to be appropriate in the Group. This recognises both the level and pace of change necessary for the Group and its relatively small scale. The Board also believes that I am the best person to chair the Board and lead the management of the business for the foreseeable future.

The new Board combines strong relationships with key clients and banks in the MENA region, with a high level of industry knowledge. These strengths have already benefitted the business through the delivery of the recent new banking terms. They will also play a key role in helping deliver on the planned equity raise and the future direction and growth of the business.

Andy Robertson was appointed to the role of Chief Financial Officer, in February this year. He has been with GMS for 13 years, having previously held the positions of Finance Director and Head of Business Development. With his industry knowledge, understanding of our business and the relationships he has developed with key stakeholders over the years, I am sure that Andy will continue to add great value to GMS going forward.

1 Margin is defined as revenue less operating expenses (refer to Note 31). At 31 December 2020 this was 59% (2019: 60%). GMS has sought to lessen the impact of reduced revenue through cost efficiencies.

> “The progress GMS has continued to make, regardless of the unprecedented circumstances created by the COVID-19 pandemic, is a credit to the business and the people within it and provides a firm footing to look to the future.”

Group Performance

Revenue reduced by 6% to US$ 102.5 million in 2020. While vessel utilisation increased to 81% from 69% in 2019, average day rates decreased by 18% arising from the COVID-19 operating environment where delayed contract awards meant that two of our E-Class fleet were available and were contracted at K-Class rates where short-term opportunities existed.

Cost management remained a key focus, such that operating costs decreased by US$ 1.0 million (detailed in Note 31), despite the 12 percentage point increase in utilisation. This decrease is largely down to headcount reductions, and accordingly general and administrative expenses similarly decreased by 24% from US$ 24.1 million to US$ 18.2 million. Since the inception of our cost saving programme in 2019, over US$ 20 million of annualised costs have been removed from our operations.

Adjusted EBITDA was US$ 50.4 million (2019: US$ 51.4 million), while the loss for 2020 was US$ 124.3 million (2019: US$ 85.5 million), with a non-cash impairment charge of US$ 87.2 million (2019: US$ 59.1 million) on five of our K-Class and two of our E-Class vessels being the driving factor. The Group also incurred US$ 16.2 million in finance expenses relating to the earlier renegotiation of bank facilities in June 2020.

Capital expenditure was allocated to ensure vessels were kept in class, equipment was well maintained and able to meet specific client requirements. GMS’ priority is to deleverage the balance sheet, meaning capital allocation will likely remain limited until that is achieved.

Commercial and Operations

COVID-19 has fundamentally changed the global landscape in which we operate and, whilst those risks remain, they are actively managed at both Board and Senior Management levels. Operations are continuing without material disruption and processes have been put in place to mitigate additional COVID-19 related costs going forward, mainly relating to periods of quarantine for crew.

In 2020, all business travel for onshore personnel was stopped and, for a time, our staff were working remotely as part of enhanced safety procedures. The phased reopening of the Head Office began in the second half of the year, with regular COVID-19 tests provided to all our onshore staff.

Four vessels reported confirmed or suspected COVID-19 cases and effective measures were put in place to manage the impact. Our biggest challenge operationally has been to effect timely crew changes, due to travel restrictions and quarantine requirements, resulting in extended durations of time that crew were required to be at sea. I would like to extend my personal thanks to each crew member impacted by this.

GMS’ UAE based employees have chosen to take advantage of the COVID-19 vaccination programme, supporting their health and the health of contractors and clients. We fully support their decision, as well as the ongoing campaign by the UAE Government to vaccinate all its residents and protect against COVID-19.

In July 2020, GMS announced its first contract utilising the unique Cantilever Workover System, installed on the self-propelled vessel, GMS Evolution. Under contract to a National Oil Company (NOC) in the MENA region, this was the first occasion that the cantilever system, a technology designed and developed by GMS, has been used on a live well.

The system successfully completed operations on 13 wells, proving the technology concept and providing the client with enhanced safety and lower-cost operations. Following this successful trial, the client agreed to improved commercial terms through a new contract running in direct continuation to Q4 2022.

In the autumn, GMS relocated from its out-dated base at Musaffah to new facilities within Abu Dhabi. The move reduces the combined office & yard costs by around 40% annually.

Environment and Safety

Once again, we have delivered safe and reliable operations to our customers and it is pleasing to report that the TRIF (Total Recordable Injury Frequency) returned to zero during the year, from 0.19 in the previous year. GMS remains committed to providing all personnel and our customers with a high quality, safe working environment at all times and continues to maintain a focus on safe, reliable operations.

In 2020 there were no environmental incidents across our operations, and we are continuing to take measures to reduce our emissions going forward, as part of a broader goal to align with the Paris Agreement objectives. We recognise that all of us have an increased level of responsibility on climate change.

The new Board will be overseeing GMS’ response to climate related challenges and opportunities in our operating model.

Outlook

GMS is well placed to benefit from the improving market cycle in oil & gas in the Middle East and renewables in Europe. In recent years, the Company has traded through a period of subdued demand, which now looks set to change. This change is reflected in GMS’ vessel utilisation, combined with the greater pipeline of future activity, which is also expected to feed into higher day rates, albeit because of increased supply these are unlikely to recover to day rates experienced pre-2015.

This increase in market activity is being driven by increased demand from our core NOC and EPC clients in the MENA region with NOCs offering long term contracts having committed to increases in production levels and EPC clients catching up on project delays incurred in 2020 as a result of the COVID-19 pandemic.

The Middle East is the largest region for shallow water oil production, ideal for SESVs to operate, with extensive offshore infrastructure, requiring regular maintenance. The Company now has 12 of its 13 vessel fleet based in the MENA region, following the decision to relocate two vessels from Europe last year.

Utilisation and days rates are also expected to benefit from the market tightening in the Middle East, as competitor vessels are relocated to support the development of the offshore wind market in China. We began 2021 with an improved secured utilisation position over last year, which is encouraging and gives us added comfort for the year ahead. Secured day rates for 2021 have remained relatively flat on K- and S-Class however we have seen an increase in day rates on E-Class of just over 9% on 2020 average rates through contracts awarded in 2021.

The Group’s financial performance to the end of March 2021 remains in line with our business plan. With 80% of vessel utilisation already secured, the Board is confident of delivering further improved results.

Mansour Al Alami
Executive Chairman

Employee safety remains our priority

Environmental, Social and Governance Factors

Environment

During the year, the Group has implemented the following initiatives, aimed at reducing GMS' carbon footprint:

Closures of offices and facilities

During 2020, the Group relocated its office and other facilities, leading to a reduction in its geographical footprint, which led to a 17% decrease in electricity consumption. The relocation included closing the Musaffah offices and onsite construction base. The Group opened a new office, at International Tower, in Abu Dhabi, which has impressive sustainability credentials, having been developed in-line with the US Green Building Council LEED® rating system.

Decrease in business travel (COVID-19)

All business travel was suspended in 2020, due to COVID-19. In 2021, the Group has continued to restrict non-essential business travel, with positive developments in video conferencing reducing the need for face to face interactions. GMS expects this trend to continue for the foreseeable future, and will continue to encourage all employees to minimise non-essential business travel.

Change in refrigerant

The Group changed the refrigerant used on its vessels, for the cooling process, resulting in a 30% decrease in refrigerant emissions. GMS is continuing to evaluate other alternative refrigerants, with the aim of further reducing emissions.

Other emission reductions projects

As part of the Group's drive to reduce it overall emissions, it is evaluating a number of measures aimed at reducing its carbon footprint. Included in these is the trialling of a lube oil filtration system on one of the E-Class vessels, that could significantly extend the life of lube oils. The results of the trial are expected to be published this year.

Carbon emission reporting

To monitor the impact of the Group's operations on the environment, the Group collates Greenhouse Gas ("GHG") data. The Group consulted an independent third-party assurer, Net Zero Compliance (a division of Energy & Carbon Management), to report on its environmental performance in GHG emissions. Their report summarises the organisational and operational boundaries, associated emissions, annual reporting figures and methodologies for GMS, in accordance with the UK Government policy, Streamlined Energy & Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations, 2018.

The figures outlined on the right make up the baseline reporting for GMS, with 2020 being the first year the Group has been required to report this information. The 2019 totals have been included from the Mandatory Greenhouse Gas reporting that preceded it.

Scope 1 consumption and emissions relate to gas and fuels' direct combustion or consumption, utilised for the Group's vessel operations.

Scope 2 consumption and emissions relate to indirect emissions, relating to the consumption of purchased electricity, in day to day business operations.

SECR requires the Group to report consumption in kWh as well as overall emissions. Refrigerant consumption does not convert to Kwh and is therefore excluded from the table below.

The Group's carbon footprint is derived primarily from the transportation of our fleet. The Group's Scope 1 direct emissions for this first year of reporting are 42,893 tCO_2e. This is a reduction of 0.5% from the previous year, while in the same period, vessel utilisation (the primary source of direct emissions) increased by 17%.

In 2020, the Group's total Scope 1 and 2 emissions were 45,891 tonnes of carbon dioxide equivalent compared to 47,152 tonnes in 2019. The decrease is predominantly related to reduced electricity and refrigerant emissions arising from the changes implemented described above. The intensity metric increased slightly as revenue was 6% lower in 2020 compared to 2019.

Financial disclosures

International treaties, such as the Paris Agreement, combined with changing patterns of energy demand have fundamentally changed the regulatory environment and reporting requirements. Transparency on climate-related risks and opportunities in the industry in which GMS operates must be improved and climate change is an increasingly important area of focus to the Board and Senior Management. GMS has already committed to adopting the recommendations published by the Task Force for Climate-related Financial Disclosures (TCFD) by 2022 and have published measures implemented to reduce the Group's Greenhouse Gas emissions as outlined above. The emissions metrics demonstrate that the Group's carbon footprint has already reduced as a result of changes implemented. The new Board intends to oversee climate-related risks and opportunities through the current framework of assessing risk more thoroughly so that targets on emission reduction will be in place by the end of 2021. It is the Group's expectation that the requirements of TCFD will be in place in 2022 with an audit to obtain an unqualified assurance opinion to follow in future years.

The total consumption (kWh) figures for energy supplies, reportable by GMS, are as follows:

Utility and Scope	2019 Consumption (kWh)	2020 Consumption (kWh)	2020 UK Consumption (kWh)	2020 Global (excluding UK) Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	988,254	815,940	0	815,940
Gaseous and other fuels (Scope 1)	0	0	0	0
Transportation (Scope 1)	160,657,371	166,036,232	18,089,737	147,946,495
Total	**161,645,625**	**166,852,172**	**18,089,737**	**148,762,435**

The total emission (tCO_2e) figures for energy supplies reportable by GMS are as follows:

Utility and Scope	2019 Consumption (tCO_2e)	2020 Consumption (tCO_2e)	2020 UK Consumption (tCO_2e)	2020 Global (excluding UK) Consumption (tCO_2e)
Grid-Supplied Electricity (Scope 2)	580	479	0	479
Gaseous and other fuels (Scope 1)	0	0	0	0
Transportation (Scope 1)	43,108	42,893	4,674	38,219
Refrigerants (Scope 1)	5,554	32,520	0	2,520
Total	**47,152**	**45,891**	**4,674**	**41,217**

An intensity metric of tCO_2e per US$m Total Revenue has been applied for the annual total emissions of GMS:

Intensity Metric	2019 Intensity Metric	2020 Intensity Metric	2020 UK Intensity Metric	2020 Global (excluding UK) Intensity Metric
tCO_2e/US$m	433.77	433.75	45.60	402.15

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 is committed to the health and safety of its employees, subcontractors, clients and partners, and to behaving with environmental responsibility. The Group's focus is on ensuring the safety of everything it designs, constructs, operates and maintains.

The Group believes it has a responsibility across all business relationships. As part of that, it is continually seeking opportunities to grow the business and to create value for shareholders. This includes being cost-conscious and managing its risks effectively.

Excellence

The Company is always looking for ways to better meet client needs, through continuous improvement. It aims to build on past experiences and to embrace innovation.

GMS sets itself challenging targets to deliver superior performance, and to exceed stakeholder expectations, including that of clients.

The reputation and integrity of the business are important. GMS works with rigour and transparency to ensure it is the preferred contractor of choice.

Relationships

The Company aims to attract and retain premium staff and ensure they are empowered to carry out their duties safely and effectively.

GMS values employee diversity, the provision of an environment where employees can perform to their full potential and be rewarded for delivering excellence.

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.

Social continued

Health and safety

The Group operates its vessels to the highest international health and safety standards. Management systems, that govern all Company activities and operations, are voluntarily accredited to ISO 9001, ISO 14001 and ISO 45001. 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.

Risks arising from operations and activities are routinely assessed to ensure that mitigation measures are implemented and communicated to all employees. All employees are made aware of the risks associated with operations, through extensive training and employee engagement. Training programs are developed annually and reviewed periodically.

GMS carries out reviews of all safety-critical tasks and competency assessments, to ensure employees and subcontractors are competent to perform hazardous activities. A culture of proactive workforce engagement is fostered, by empowering all employees to report unsafe occurrences and, if required, intervening to stop unsafe work altogether.

Incidents and accidents that may occur at our work sites or on our vessels are reported and investigated thoroughly. Investigations are carried out by multidisciplinary teams, independent of the area where an incident has occurred. Incident reporting procedures also ensure the relevant regulatory bodies are notified should an incident occur.

Occupational health risks, such as those arising from noise, vibration, fatigue and hazardous substances, are managed in-house by the Health and Safety Team. The team draws on specialist consultants when required. If specialist medical or clinical advice is required, arrangements are in place for consultations. Employees have access to consultation facilities, either in person or through telemedicine arrangements. All employee health data is managed in accordance with the General Data Protection Regulations and is maintained as strictly confidential.

The information at the bottom of the page is intended to provide an overview of the Health and Safety performance, over the reporting period.

Turnover

Voluntary employee turnover decreased to 8% in 2020, versus 18% in 2019. This was despite material change in the business, with the organisational structure simplified and posts removed through redundancy. During 2020, GMS also promoted 36 employees.

Diversity

The Group's workforce consists of 532 personnel, recruited from 35 countries. The significant experience and skills individuals bring to GMS helps it to conduct its business globally.

The information to the right provides details of the gender diversity and country of origin of our personnel as at 31 December 2020.

GMS has a zero-tolerance policy towards discrimination for all employees, and provides equal opportunities for all onshore employees. 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 Middle East, stipulate that women cannot work in an inappropriate environment and hazardous jobs/industries, meaning the Company 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

We launched our first employee engagement survey at the end of 2019, with an 82% completion rate. This is consistent with the global benchmark completion rate of 80%[1] for all companies. The areas employees scored as needing attention are the frequency of communication, as a Group and between departments, and creating opportunities to provide constructive ideas on how to improve processes.

In 2020, the primary focus was on employee safety, due to the potential risks arising from COVID-19. From March until July, onshore staff worked remotely. Following this, there was a phased return to the office, underpinned by regular COVID-19 onsite testing and other precautionary measures. All employees are actively encouraged to receive the vaccine where it is available. Weekly communication from the Executive Chairman on the impact of COVID-19 on our business continued during the peak of the pandemic, with other regular communication throughout the remainder of the year.

Offshore employees unable to commence their rotations due to the travel restrictions were provided salary advances, while those who remained onboard and unable to rotate for more than 120 days, were provided 10% extra compensation. Onshore employees are able to discuss items they feel relevant with management at Head Office and offshore employees have regular meetings with Operations to discuss any issues that affect them. While the COVID-19 pandemic continues, this is our primary focus, but we know we still have work to do on improving employee engagement. In 2021, Rashed Al Jarwan was appointed as the new dedicated Workforce Engagement Director with a Town Hall style meeting for onshore staff to be held later in 2021 and a follow up engagement survey is planned for the end of the year.

Number of work-related fatalities as a result of a work-related injury

0

(2019: 2)

(Rate @1 million work hours – 0.96)

Number of recordable work-related injuries

0

(2019: 0)

Number and rate of high-consequence work-related injuries

0

(2019: 4)

(Rate @1 million work hours – 1.44)

Total number of hours worked

2,030,955

(2019: 2,081,525)

1 What is a good employee survey response rate? – Culture Amp Blog

People

Total number of employees
532
(2019: 457)

Offshore
479
(2019: 377)

Onshore
53
(2019: 80)

Voluntary turnover
8%
(2019: 18%)

Number of offshore employees
479
479
(2019: 377 – all male)

Number of onshore employees
53
33 20
(2019: 80 – 49 male/31 female)

Total number of Directors
4
4
(2019: 6 – 5 male/1 female)

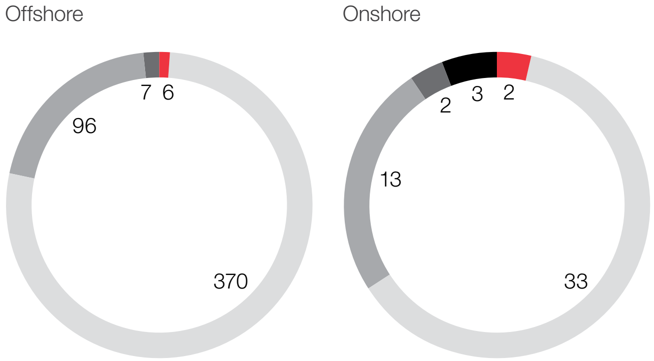
Total number of Direct Reports to Senior Managers
14
10 4
(2019: 14 – 10 male/4 female)

Total number of Senior Managers
3
3
(2019: 4 all male)

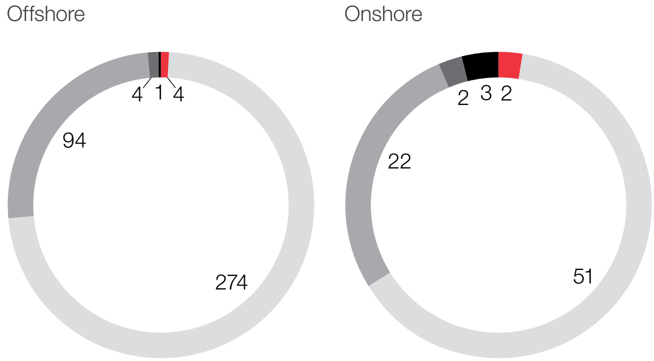
Nationalities
35
(2019: 36)

Male Female

GMS Employees – By Region 2020



GMS Employees – By Region 2019



Africa Asia Europe MENA Other (Canada, Venezuela, New Zealand)

PEOPLE AND VALUES
continued

Social continued

Share ownership

Employee share ownership is encouraged and the Group has operated a long-term incentive plan since 2014. Please see pages 62 to 63 in the Remuneration Report for further details.

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, albeit in 2020 with different weightings. There are no guaranteed variable pay awards at GMS, with all pay being performance-based. The 2020 STIP measures for employees are set out at the bottom of the page.

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

Succession planning

GMS seeks to promote from within, where possible and to manage this the Company has a succession planning process in place for offshore employees based on years of experience and qualifications, however due to the size of the business external hires will be made where a post cannot be filled internally. The Group is engaged in fair and transparent recruitment practices.

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 required training, in areas such as, but not limited to, offshore safety and awareness and emergency response. While the business is repositioned, discretionary development training has been temporarily stopped. Discretionary development training remained discontinued in 2020 due to COVID-19. The delivery of some mandatory compliance training has also moved online to ensure employee safety.

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 is dependent on staff putting the Code into practise, 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.

Whistleblowing reporting service

There were no whistleblowing cases reported in 2020. 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 Senior Management 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.

Governance

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

Measure	Weighting	Performance range (from zero to full pay-out*)
EBITDA	60%	Less than US$ 50m – greater than US$ 70m
Securing contract % of 2021 budget revenue	15%	Less than 60% – greater than 90%
Securing contract % of 2022 budget revenue	5%	Less than 40% – greater than 60%
Cash generation (unlevered)	10%	Less than US$ 30m – greater than US$ 37.4m
EBITDA Margin	10%	Less than 44% – greater than 52.5%
Total	**100%**	

1	EBITDA*	<US$ 50m	US$ 50m-US$ 54m	US$ 54.1m-US$ 56m	US$ 56.1m-US$ 58m	US$ 58.1m-US$ 70m
	Score	0	0-20%*	20-35%*	35-60%*	60-72%*max

2	Securing contracts % of 2021 budget revenue*	60%	60%-65%	65.1%-70%	70.1%-75%	75.1%-90%
	Score	0	0-5%*	5-10%*	10-15%*	15-18%*max

3	Securing contracts % of 2022 budget revenue*	<40%	40%-45%	45.1%-50%	50.1%-60%
	Score	0	0-2%*	2-5%*	5-6%*max

4	Cash generation*	<US$30m	US$ 30m-US$ 36m	US$ 36.1m-US$ 37.4m
	Score	0	0-10%*	10-12%*max

5	EBITDA Margin*	<44%	44%-47%	47.1%-50.3%	50.4%-52.5%
	Score	0	0-4%*	4-10%*	10-12%*max

* Zero to full pay-out is not linear as bands operate within the performance ranges shown. Up to an additional 20% of salary could be earned for out-performance (the final band in the ranges shown above).


GMS ENDURANCE
VULCAN
RD

The business model is centred on a commitment to providing a flexible and cost-effective solution for customers operating in the offshore oil, gas and renewable energy sectors using a modern fleet of self-propelled Self-Elevating Support Vessels (SESVs).

Our resource

Safety culture

Safety is the top priority and is underpinned by an HSEQ management system and strong safety-focused culture.

Young and modern fleet

With an average age of ten years, the fleet of 13 SESVs are designed to meet the operating standards our clients demand. This is especially important in the tendering process for new contracts, as clients are increasingly demonstrating a preference for modern vessels that can bring significant cost and operational efficiencies to their projects.

Highly skilled workforce

A multi-cultural workforce is recruited from more than 35 countries and has extensive experience in the global SESV sector. GMS trains Operations people to the highest standards through the GMS Training Academy, so they can develop and reach their full potential and contribute to the long-term success of the business.

Flexibility

GMS works in different industries and in different locations. The flexibility of the fleet allows service delivery across a broad geographical footprint to a diverse range of clients. Maintaining a market footprint within diverse business sectors and geographies is a key competitive strength, providing resilience for the business in times of fluctuating demand.

Our operations

Operates a modern fleet of self-propelled SESVs

GMS owns and operates a fleet of modern SESVs, which are chartered to global clients, providing cost-effective and safe offshore support solutions. With an average age of only ten years, they are well within the age-limit criteria demanded by our clients. GMS currently supports oil, gas and renewable energy clients in the MENA region and North West Europe.

Expands capability through innovation

GMS aims to lead the field in technological innovation, using skills and experience to enhance vessel capability and to expand the service offering. This helps to broaden our markets and to maintain a competitive edge.

Operational excellence

GMS strives for excellence in all operations and offers a broad range of services to clients, allowing them to achieve greater operational efficiency and significant time and cost savings. GMS maintains the highest levels of safety performance to protect clients, employees and contractors and minimise the environmental impact. In order to promote in-country value, a prerequisite for a number of our MENA based clients, GMS partners with local suppliers to maximise in country spending, encouraging them to also look wherever possible to maximise in country spending through their own supply chains.

Drives performance through reportable metrics

GMS assesses productivity across the Group by ensuring 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.

What we deliver

Shareholders

Improving utilisation through contract awards and extensions, reduction in operational cost base, and an improved capital structure through new bank terms.

Customers

Safe, reliable and cost-effective services that allow clients to maximise their operations. This focus on safety means that GMS has an excellent record.

People

An engaged workforce focusing on performance in a positive and open environment.

Suppliers

Long-term partnerships focusing on maximising local content.

Generate long-term shareholder value

Strategic priority	What it means
#1 Drive revenue	Maximise utilisation through best-in-class operations. Continually enhance operating capability, offering new and improved offshore support solutions, to anticipate client needs. Optimise the fleet to ensure deployment matches demand.
#2 Manage cost	Deliver safe and cost effective operations. Continual cost efficiencies throughout the business and reduce our working capital. Restrict Capex to essential only spend.
#3 Establish and operate within an appropriate financial framework	Establish appropriate long-term sustainable debt and capital structure. Maximise cashflows to reduce leverage levels.
#4 Ensure people are in the right role with the right skills	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 services. Train our staff to the highest operational standards.

2020 progress	Future priorities & challenges
11 contracts and extensions awarded, with a combined charter period of just under seven years (including options). Relocation of two E-Class vessels from North West Europe to the Middle East, where demand for our vessels is stronger. First contract for GMS Evolution, utilising its unique cantilever system. Increased utilisation from 69% in 2019 to 81% in 2020. Day rates decreased slightly for K- and S-Class at 3% and 5% respectively. E-Class rates reduced by 24% arising from the COVID-19 operating environment where delayed contract awards meant that two of our available E-Class fleet were contracted at K-Class rates to meet short-term demand. 80% of vessel utilisation already secured for 2021.	Focus on winning long-term contracts, that add significantly to backlog. Capitalise on an improving market as a precursor to day rate improvement. Strengthen our position in our core markets, whilst continuing to explore opportunities in new markets. Medium term: maximise utilisation for vessel in North West Europe. In the long term, we see improved demand from offshore renewables. Continue to monitor potential counterparty risks and resultant liquidity and pricing pressures driven by COVID-19. Embrace local content requirements demanded by our NOC clients to ensure we are best placed to secure new contracts. Identify and implement achievable emissions reporting targets and formalise the Group's climate policy to ensure targets are met.
Costs saving initiatives implemented to date realising US$ 20.7 million of annualised savings. Rationalising of General and Administrative Expenses, for example further reduced onshore headcount from 80 in 2019 to 53 by end of 2020, Head office move completed in Q4 2020. Supply chain optimisation – over 35 contracts renegotiated and over 100 suppliers added to provide better diversification and value for money.	Continual focus on operations to identify further opportunities to cost efficiencies where possible. Ensure safe and reliable operation of fleet.
Following the appointment of a new Board at the end of 2020, commenced restructuring of bank facilities at the end of the year. The new facilities agreed in Q1 2021 reduce interest costs for 2021 and 2022, while the previous PIK structure and deadlines for the issuance of warrants to the banks no longer apply. Dividends remain suspended.	Having delivered a stable debt foundation, work with equity investors to inject fresh equity capital into the business. Focus on improving utilisation, managing operating and capital spending to maximise cash generation. Providing the Company raises equity of a net US$ 25 million or more by 30 June 2021, and further equity by 31 December 2022, taking the combined fund raising to at least a net US$ 75 million, it will not be required to issue any warrants nor will any PIK interest accrue. Raising equity and focusing on cash generation will lead to an accelerated deleveraging of GMS' balance sheet over time.
Organisational reduction and simplification with a new leadership team. Improved communication and cross-functionality among departments.	Building and developing a core management talent pool.

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- 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 need to act fairly as between members of the Group.

During the year, the Board has 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 mainly institutional investors and private shareholders located across the world. The Directors of GMS receive a report on the Group's major shareholders from the registrar, in line with the Corporate Governance and results calendar. The previous Executive Chairman met with major shareholders after the Half-Year and Full-Year Results, and at investor meetings. The previous Executive Chairman interacted with substantial shareholders on 94 occasions during 2020. The new Executive Chairman started his role only at the end of November but has commenced dialogue with Middle East shareholders. There continued to be a regular flow of trading updates and information posted on the Company's website to update and provide additional transparency to all shareholders in the business. The Executive Chairman and Senior Independent Director also meet with institutional investors at least annually to discuss governance, strategy and remuneration, or at the request of a particular shareholder. GMS has a designated section of our website 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 AGM provides another forum for our shareholder base to engage. Refer to the Board Report on page 40 regarding protocols to manage information shared with Non-Independent Non-Executive Directors.	Investors are concerned with a broad range of issues including, but not limited to, share price, financial and operational performance, strategic execution, management of corporate risk, and capital allocation (including bonus payments for management and dividends for investors). In 2020 certain shareholders have raised questions about the governance structure at GMS, given the significant amount of change.	In April 2020 a shareholder made a non-binding proposal to the Board of GMS on 26 April 2020 regarding a possible cash offer for the entire issued and to be issued share capital of GMS. The Board in place at the time recommended to reject the offer; 15 shareholders who collectively held 52.24 % of GMS' share capital indicated they had no intention to accept the proposal. During 2020, there were four General Meetings requisitioned by a shareholder, which ultimately led to the previous Board being replaced, with a representative from the largest shareholder joining as a Non-Independent Non-Executive Director. The new Board is fully engaged with the business and has already delivered improved terms to the banking deal in 2021 that protects all stakeholders and ultimately will help to rebuild enterprise value.

How GMS engages with stakeholders	Stakeholder objectives	How did engagement support Board decision making?
Clients		
GMS works closely with 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 (ordinarily via face to face meetings but due to COVID-19 this has more recently been via conference call) to ensure GMS fully understands operational performance; client service and safety are the key drivers of meetings. Through this engagement, GMS learns about current activity levels of competitor vessels, 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 new Board combines strong relationships with key clients in the MENA region, with a high level of industry knowledge. Engagement was instrumental in providing the information the Board need to sign off on the 5 year plan, key to the long term delivery of GMS' strategy. Engagement also helped inform capital allocation decisions, which remain limited to keeping vessels in class and equipment in good condition, and meeting specific client requirements. In 2020 this included the commencement of the K-Class crane upgrade programme. GMS' focus over the next two years is on delivering a sustainable capital structure and deleveraging the balance sheet. Once this is sufficiently progressed, capital allocation and resources will be reviewed assuming resources are available. Total Group spend on capex in 2020 was US$ 13.2 million. Refer to the Financial Review for more details.
Lenders		
During 2020, there was extensive interaction between GMS and our lenders and respective teams, resulting in the borrowings being restructured in June 2020. After the previous Board were replaced, negotiations began at the end of 2020 to improve the terms to GMS.	Lenders are primarily concerned with ensuring that the capital value of their loans are protected, and that interest is paid. For highly leveraged businesses, where risk to lenders increases, they will take a close interest in financial performance, cost control and cash flow.	The Board approved the appointment of a monitoring accountant to provide an independent and transparent overview of the performance of the Group as part of the restructuring in 2020. The new Board supported by two major shareholders (Seafox and Mazrui) led discussions with lenders at the end of 2020 to reach a workable and improved set of terms, as a precursor to the equity raise. A waiver for the 31 December 2020 requirement to issue warrants and accrue PIK was obtained. Following the discussions which commenced at the end of the year, on 1 April 2021 GMS announced improved terms to the bank deal including the appointment of a Bank-appointed observer who will attend Board meetings (without voting rights). Refer to the Financial Review for more 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 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 NOC clients.	The Board tasked senior management with identifying cost savings in 2020 and maximising in country value. Engaging with suppliers allowed GMS to retender or renegotiate major supply contracts to improve efficiency and reduce costs. GMS has renegotiated over 30 service agreements/contracts with major suppliers that have given better terms and/or rates reduced, for example changing lube oil supplier will save approximately 31% over the two year agreement.

How GMS engages with stakeholders	Stakeholder objectives	How did engagement support Board decision making?
People		
The quality of the workforce is vital to the success of GMS. 2020 saw regular communication to both on and offshore staff via weekly email updates and video communication from the previous Executive Chairman to all offshore staff. The current Executive Chairman has maintained this trend with regular email updates to our people. The new Non-Executive Directors have visited our offices in Abu Dhabi and have engaged with staff where possible. There was less engagement in 2020 than the Board would have liked, mainly because of COVID-19 and the challenges it presented. Offshore staff were consulted via discussions with the Operations team.	Employees are concerned with job security, opportunities for training, a culture of fairness, inclusion and communication, compensation and benefits.	The Board fully supported management decisions to provide a safe working environment for our people through safety measures such as remote working, onsite COVID-19 testing and other precautionary measures. Our offshore crew were consulted on actions to be taken to improve their welfare and living conditions during prolonged periods onboard our fleet as a result of international travel being suspended due to COVID-19. In 2021, Rashed Al Jarwan was appointed as the designated Workforce Engagement Director. Refer to page 6 for more details on engagement with our people.

Retaining high standards of business conduct is a core goal for the Group. The focus GMS places on ensuring high standards are maintained is reflected in the strength of its policies, including its Anti-Corruption and Bribery Policy, Anti-Slavery Policy, Social Responsibility Policy and Whistleblowing Policy. Details are available on our website.

In most of our core markets in the Gulf, where the diversification of economic activity away from oil and gas production is paramount, the promotion of local industries is seen as a prime community objective. As identified in our risk assessment on pages 20 to 25, GMS actively maximised local content across the core countries in which it operates. For consideration of the environment, please refer to page 24 and 25 of the Annual Report. GMS is committed to responsible environmental policies and is compliant with the globally recognised ISO 14001 (Environment) standard.

Vessel utilisation increased to 81% in the year (2019: 69%), while average day rates decreased by 18%. This was primarily from the COVID-19 operating environment where delayed contract awards meant that two of our available E-Class fleet contracted at K-Class rates on short-term opportunities. 2020 saw the first-deployment of the Cantilever system on the GMS Evolution, a technology designed and developed by GMS, which offers wide-ranging client benefits.

Markets

Introduction

Demand for larger SESVs to support the installation of windfarms in China led to a reduction in the overall supply of vessels across the Company's core markets, in MENA and North West Europe. In addition, this source of demand has significantly reduced the overhang of supply of new vessels sitting in shipyards that could have potentially entered GMS' markets. The combination of these factors is expected to support the Company's ongoing performance.

MENA

Several long-term contract awards, from NOCs in the year, were delayed, however these are expected to be awarded during 2021. Similarly, EPC activity was delayed, but demand remains strong and projects are expected to come back into the market in 2021.

Revenue from the MENA region was 88% of total Group revenue (2019: 75%) in 2020. The Company secured seven new contracts and the extension of seven existing contracts during the year. In 2020, seven of the eight mobilisations were for contracts in the Middle East, including the swap of two vessels to allow one to go for drydock. GMS Evolution secured its first contract, fully utilising its Cantilever workover system and, following a successful trial, this led to a long-term award being made for its services and is currently in dialogue with the client around broadening the range of activities currently offered.

Following successful pre-qualification to provide Manpower services with an NOC in 2019, GMS commenced its first contract during the year. This contract is for the provision of all trades and supervision required to support an NOC with maintenance of offshore platforms.

The increasing importance placed on local content requirements, as part of the tender processes, by MENA based NOCs has continued. These requirements are designed to give preference to suppliers that commit to improving their local content and levels of spend and investment in-country. GMS fully embraces these programmes and now, with established offices in each of the key MENA locations it operates, it is well positioned to win future work. The Company will also continue to seek ways to improve in-country content, supporting its ability to tender for work with NOC clients in these countries.

North West Europe

Following the relocation of two E-Class vessels to the MENA region, there was a significant improvement in utilisation for the vessel that remained in North West Europe to 92% (2019: 72%). This vessel spent the year supporting the offshore renewables market, where demand continues to be strong, while demand in the regional oil and gas remained subdued.

Market outlook

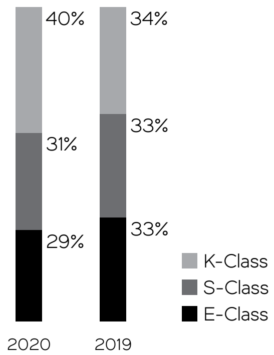
GMS remains cognisant of the markets in which it operates and the impact that climate change could have on the performance of the Group. The Group's core market is in the Middle East where there are low oil and gas production costs, a current appetite of NOCs to increase production and the reliance on oil revenues by the region's governments. When viewed in combination with market data available, this demonstrates there will be sufficient demand for oil and gas products, primarily driven from an increase in demand from developing countries across Asia.

At the same time, as an SESV operator in both the oil and gas and renewables industries, the fleet offers significant operational flexibility. Increased demand is expected in offshore renewables which will present the Group future opportunities to deploy more of its fleet into this market.

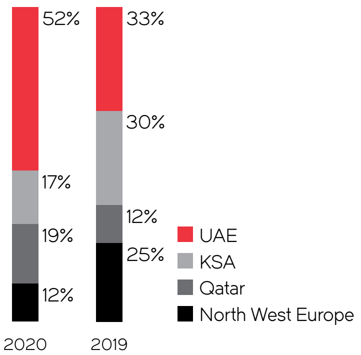
HSEQ

HSEQ continues to be a top priority. In 2020, more than 2 million working hours were accumulated across GMS's operations (2019: 2 million), with no spills or unintended releases that cause damage to the environment. There were no Lost Time Injuries or Medical Treatments cases in the year, and as a result our TRIF (Total Recordable Injury Frequency) rate dropped to zero during 2020 (2019: 0.96).

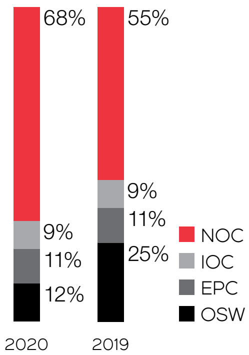
Revenue by vessel class



Revenue by geographical location



Revenue by customer base




Map legend
E-Class
S-Class
K-Class
United Kingdom
Endeavour
Evolution
Endurance
Germany
Endeavour
Qatar
Kikuyu
Enterprise
Evolution
UAE
Kawawa
Kamikaze
Keloa
Pepper
Shamal
Scirocco
Endurance
Evolution
KSA
Kudeta
Sharqi

The effective identification, management and mitigation of business risks and opportunities is integral to the successful delivery of 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.

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 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 framework encompasses the policies, culture, organisation, behaviours, processes, systems and other aspects of the Group that, taken together, 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 deal with the management of risks, and improvement of internal controls where appropriate.

The Board has overall responsibility for ensuring that risks are effectively managed. As part of its regular risk assessment procedures, the Board takes account of the significance of ESG matters to GMS' business. The Audit and Risk Committee has been delegated the responsibility for reviewing the effectiveness of the Group's system of internal control and procedures as a practical matter. The Committee has reviewed GMS' system of operational internal control (including risk management) for day to day and concluded that the controls continue to be effective.

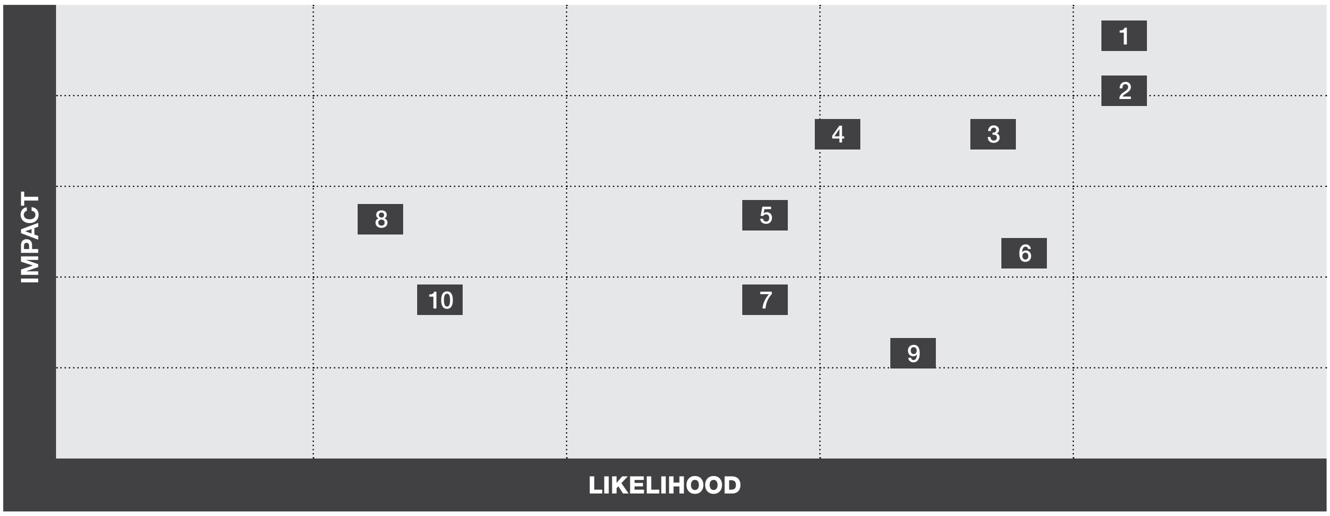
The Committee has also been delegated the responsibility for reviewing the effectiveness of the Company's financial controls and the financial reporting process, which is principally assessed in relation to the timely identification and resolution of areas of accounting judgement, and the quality and timeliness of papers analysing those judgements. The Committee has reviewed the control deficiencies identified during the year end external audit and the areas of improvement needed to enhance controls in the following key areas: documentation of judgements, accounting for debt, controls over revenue recognition and controls relating to impairment including review controls and the calculation of the discount rate used for impairment assessments. The Committee concluded that in 2020 certain controls in these and other areas were not effective. With a newly appointed Chief Financial Officer in place, the Committee will ensure there will be a review of internal controls to identify areas of improvement in 2021. The Group may consider use of a valuation specialist to support the discount rate calculation and to support the complex judgements and calculations associated with accounting for the Group's debt.

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 Senior Management 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 46 for details of the Board's actions as part of their review).

Residual Risk Heat Map

1 Utilisation
2 Inability to secure an appropriate capital structure – equity
3 MENA Oil and Gas Market
4 Operations: inability to deliver safe and reliable operations
5 Liquidity and covenant compliance
6 People
7 Legal, economic, and political conditions
8 Compliance and regulation
9 COVID-19 pandemic
10 Cyber-crime – security and integrity



Key

Drive revenue

Manage cost

Establish and operate within an appropriate financial framework

Ensure people are in the right role with the right skills

Principal risks and uncertainties

The rating of the principal risks facing the Group in the next five years are set out below, together with the mitigation measures. These risks are not intended to be an exhaustive analysis of all risks.

Risk	Mitigating factors and actions

1 Utilisation

Utilisation levels may be reduced by the following root causes:

- Increasing competition as other market participants increase the supply of SESVs in the markets in which GMS operates;
- Sustained lower expenditure and investment by the oil and gas industry may result in lower levels of maintenance being performed on existing platforms and facilities and lower levels of construction and capital expenditure in respect of new installations;
- Reliance on a limited number of NOCs, IOCs and international EPC clients;
- Fleet capabilities may no longer match with changing client requirements. Failure to deliver the specifications and expected performance could lead to reputational damage and impact GMS' ability to win work; and
- Reduced utilisation may materially adversely affect our business, financial condition and results of operations.

Modification flexibility for clients
GMS' vessels are built to be as flexible as possible allowing the Company to compete for a wide share of the market, helping it to maximise utilisation levels and charter day rates. The Group is capable of modifying assets to satisfy client requirements.

Continuous communication with clients
The Group maintains strong relationship with its clients through continuous communication and a history of providing safe and reliable services.

Business segment and geographical diversity
The Group has established businesses outside its core Middle Eastern markets (particularly in the North Sea), and outside of oil and gas (renewables). It is continually reviewing opportunities looking to diversify its market footprint through increasing the client base.

Vessel monitoring
The Group has procedures in place, such as the Planned Maintenance System, to ensure that the vessels undergo regular preventative maintenance. The Group's robust operating standards result in minimal downtime.

Risk	Mitigating factors and actions
2 Inability to secure an appropriate capital structure – equity	
Under the terms of the latest bank deal signed on 31 March 2021, GMS is required to raise US$ 25 million by 30 June 2021 and a total of US$ 75 million by 31 December 2022. Failure to do this would lead to an inadequate capital structure and a potential event of default.	**Renegotiation of bank facilities** The Group recently announced improved terms on its bank facilities and plans for raising a minimum of US$ 25 million of new equity (net) by 30 June 2021, with the remaining balance of up to US$ 75 million in total by the end of 2022. The need to obtain shareholder approval and raise the first tranche of US$ 25 million of equity by 30 June 2021 to avoid an event of default indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that there is good reason to believe that there will be sufficient shareholder support to complete the first equity raise on time. Refer to Note 3 of the consolidated financial statements. Beyond that, the Board is focused on sustaining operational excellence while enhancing performance and utilisation of GMS' assets to explore and secure new opportunities. This will be key to driving improved profitability and cash flow, which is expected to deliver shareholder confidence and a higher share price.
3 MENA Oil and Gas Market	
MENA NOCs have local content requirements as part of their tender processes 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 contracts or lead to financial loss and/or a reduction in margins on existing contracts, which will ultimately impact cash flows and profitability.	**Local content requirements** GMS embraces local content requirements, with a long history of operating for NOCs in the Middle East and established offices in each of the MENA countries the Group operates. The Group actively manages its supply chain to ensure that they also are focused on maximising local content and where necessary will work with local partners in specific markets to ensure it positions itself in the best possible position to win work. Often during the tendering process companies with a higher audited local content score are given the offer of first refusal to price match any lower bids during tendering. **Market knowledge and operational expertise** The Group has a track record of established long-term relationships in the MENA region which provides an understanding of clients' requirements and operating standards.
4 Operations: inability to deliver safe and reliable operations	
The Group may suffer commercial and reputational damage from an environmental or safety incidents involving employees, visitors or contractors. The physical risk of climate change, such as natural disasters or extreme weather events may impact our ability to operate. Inadequate preparation for emergency situations, such as pandemics, geopolitical instability, could have a negative impact on the business. Insufficient insurance coverage may lead to financial loss.	**Safety awareness** Safety and reliability are top priorities and are underpinned by the HSEQ management system and a strong safety-focused culture. Management ensures appropriate safety practices and procedures; disaster recovery plans and insurance cover of all commercial contracts in place. All of our vessels are designed to withstand extreme weather events as specified by the Class Society. **Training and compliance** Our employees undergo continuous training on operational best practices. **Scheduled maintenance** The Group follows regular maintenance schedules on its vessels and the condition of the vessels is consistently monitored. **Business continuity plan** The Group has in place a business continuity management plan which it regularly maintains. **Insurance** The Group regularly liaises with insurance brokers to ensure sufficient coverage is in place.

Risk	Mitigating factors and actions
5 Liquidity and covenant compliance	
The business is exposed to short-term liquidity management risks arising from potential increases in interest rates, which further increase debt service obligations, and unexpected increases in working capital (particularly through inability to collect receivables). In addition, the Group's bank facilities are subject to covenant tests based on the financial performance. Compliance with these covenants depends on GMS' ability to secure ongoing work for the fleet. If GMS is unable to do so the financial performance and position may be materially adversely affected and it may not comply with the covenants. In such a case, unless the banks agree otherwise this could 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.	**Liquidity management** The Group continues to manage liquidity carefully through focusing on receivables collections and managing the timing of supplier payments. **Cost management** The Group has implemented a comprehensive cost reduction programme, removing over US$ 20 million of annualised costs in order to generate higher EBITDA and increased cash to service debt. Continual review of costs and search for further efficiencies is ongoing. **Minimising capital expenditure** The Group is focused on restricting capital expenditure to essential spending only, to ensure 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 actions to avoid any potential where a future breach of covenant is forecast.
6 People	
Attracting, retaining, recruiting and developing a skilled workforce is key. Losing skills or failing to attract new talent to the business has the potential to undermine performance. Inadequate succession planning and lack of identification of critical roles may result in disruption if the related personnel leave the Group.	**Communication and engagement** Communication has remained a key practice of management, especially during the COVID-19 pandemic. During the year, the focus for employees has been on safety and wellbeing through working remotely, regular testing and enhanced cleaning procedures. In 2021, Rashed Al Jarwan was appointed as the new Workforce Engagement Director, explicitly tasked with monitoring the level of engagement and alignment across the organisation. **Remuneration Policy** The Short-Term Incentive Plan (STIP) is based on a single Business Scorecard to ensure all staff are 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. **Resource planning** The Group is in the process of identifying critical roles and preparing plans to ensure smooth transition in case of changes in personnel. Refer to the Governance Report on pages 34 to 37 for details of changes at the Board level and assessment of what skills the new Board brings to GMS.
7 Legal, economic, and political conditions	
Political instability in the regions in which GMS operates (and recruit from) may adversely affect its operations.	**Emergency response planning and insurance** For all our major assets and areas of operation, the Group maintains emergency preparedness plans. It regularly reviews the insurance cover over the Group's assets to ensure adequate cover is in place. **Workforce planning and monitoring** Workforce planning and demographic analysis is completed in order to increase diversity.

Risk	Mitigating factors and actions
8 Compliance and regulation	
Non-compliance with anti-bribery and corruption regulations could damage 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 health, safety and environmental conventions, laws and regulations has become increasingly expensive, complex and stringent. Failure to appropriately identify and comply with laws and regulations, and other regulatory statutes in new and existing markets, could lead to regulatory investigations. It may result in GMS failing to win a new contract, the early termination of an existing contract or exclusion from future contracts.	**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. Employees are required to undergo in-house training on anti-corruption. All suppliers are pre-notified of anti-bribery and corruption policies, and required to confirm 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 we operate. On specialist topics, the Group makes use of external advisers, where appropriate. A dedicated Company Secretary is in place to help monitor compliance, in particular with regard to UK legal and corporate governance obligations. **External review** The Internal Audit function helps ensure compliance with GMS policies, procedures, internal controls and business processes. The Group's vessels are also audited by external bodies such as the American Bureau of Shipping (ABS).
9 COVID-19 pandemic	
The COVID-19 pandemic has presented a number of challenges. Measures introduced in jurisdictions where GMS operates, include closing of international borders and strict quarantine requirements for crew, which could lead to further increased cost. These measures can change at short notice, maintaining the risk that offshore staff will be unable to crew change. There is a health risk to staff, both onshore and offshore, who come into contact with confirmed cases. COVID-19 restrictions on travel may impact GMS' ability to allow third parties to travel to its vessels to inspect, maintain or certify equipment onboard, which increases the risk of equipment failure and being put off hire. Existing or future contracts are delayed by our clients as a result of interruptions in their supply chains resulting in them being unable to carry out work as planned.	**Hygiene measures** GMS implemented extensive hygiene control and prevention measures across the fleet and onshore offices. Clients have adopted similar measures, in many cases in compliance with strict government directives in force across the countries in which the Group operates. **COVID-19 vaccinations** COVID-19 vaccines are available in some of the countries where GMS operates and have been made available to staff, both onshore and offshore. **Offshore rotations** Crew rotations have been extended as a temporary measure to minimise impact of quarantine requirements of some clients. **Vessel maintenance** The Group has in place a strict management of change process, which ensures where it has been unable to have equipment tested, inspected or certified offshore, due to the availability of suitably qualified personnel offshore, that an appropriate risk management process is in place. **Contract delays** Through strong relationships with its client base, GMS is in regular communication around any operational delays that are expected that could impact the Group. In such circumstances and with client agreement, GMS will seek other opportunities to utilise the fleet and minimise the financial impact on all parties.
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.

Brexit

GMS supports the free movement of goods, services and people. On 24 December 2020 an agreement was reached between the UK and EU. As the majority of the Group's operations and our lending syndicate are in the Middle East, our UK office was closed at the end of 2019 and there is currently one vessel working in North West Europe, the impact of Brexit is not considered to be a principal risk to the Group. GMS will continue to monitor the status of implementation, including changes in legislation and future policies.

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 rise to an area of significant 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 S172 statement), industry-specific journals, and reviews of reporting published by peer companies.

Examples of emerging risks discussed in 2020 include considerations of expanding into new territories and unexpected changes in oil price.

Climate change

Climate change has the potential to decelerate the rate of growth in, and eventually reduce demand for hydrocarbons as the move towards lower carbon energy production and consumption continues to gain momentum. Globally, companies are under increasing pressure to reduce emissions while the development of sustainable alternative sources of energy such as nuclear is progressing. This wide-ranging and complex topic interconnects to a number of the Group's principal risks, including utilisation and compliance and regulation.

GMS' client base is currently predominantly in the Middle East, which includes five of the top ten oil-producing countries and is responsible for producing about 27% of world production. The principal driver of revenue for the Group is the global demand for energy drawn from the exploration and production of hydrocarbons. Market observers expect the demand for hydrocarbon to continue its underlying trend of growth. In March 2021, the International Energy Agency published findings that identified that while demand in advanced economies is unlikely to return to pre-COVID-19 levels, increased demand in the next decade will come from developing countries across Asia.

The TCFD divides climate-related risks into the transition risk to a lower-carbon economy and the physical impacts arising from climate change. The physical impact from climate change is considered in our assessment of our inability to deliver safe and reliable operations. The transition risk is considered to remain emerging based on demand for our vessels from the Group's core client base. GMS fully supports all initiatives being explored by NOCs and IOCs to contribute to more efficient and lower-emission energy solutions. In addition, the Group maintains a proven track record in the renewables sector, which provides versatility in our business model to respond to changes in the global economy and climate related risks and opportunities. Changes to reduce the Group's environmental footprint implemented during 2020 are on page 4. The longer term impact of climate change and the transition to a lower carbon economy has not been fully assessed yet but the new Board's oversight on climate change will ensure that this is a topic for further discussion in 2021 as well as other developments such as formalising a climate policy and reportable metrics. The Group is committed to complying with all environmental laws and regulations in the countries where it operates, and to enhancing the way climate is managed and measured, with the aim of providing relevant disclosures to allow our stakeholders to understand our business model and strategy in respect to climate.

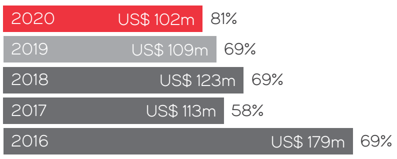
Key Performance Indicators (KPIs), are used to monitor our performance against our strategic priorities. The KPIs comprise financial and operational measures and each links to the four pillars of our strategy.
Refer to the Glossary for the definition of each APM.

Key

- Drive revenue
- Manage cost
- Establish and operate within an appropriate financial framework
- Ensure people are in the right role with the right skills

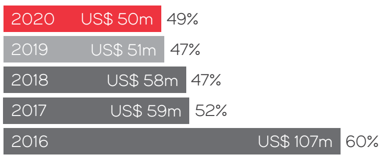
KPI	Description	2020 performance
Revenue and utilisation	Revenue reflects the amounts recognised from operating activities with clients during the year. It is driven by charter day rates and utilisation levels. Utilisation is the percentage of days that vessels within the fleet of SESVs are chartered on a day rate out of total calendar days.	The decrease in revenue is mainly attributable to a 18% reduction in average charter day rates following delays in some contract awards as a result of COVID-19 which meant that some of our available E-Class vessels were deployed onto contracts that would have normally been fulfilled by our smaller K-Class vessels. Utilisation based on calendar days in the year was improved to at 81% (2019: 69%), E-Class vessels increased to 64% (2019: 51%) and K-Class vessels increased to 86% (2019:68%) while S-Class fell to 92% (2019: 97%).
Adjusted EBITDA and Adjusted EBITDA margin	Adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation), excluding adjusting items (exceptional costs and non-cash 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.	Adjusted EBITDA reduced by 2%, driven by lower revenues, costs associated with relocating two vessels from Europe to the Middle East and costs incurred arising from the impact of COVID-19 offset by reduced costs. Adjusted EBITDA margins increased to 49% (2019: 47%) despite vessel relocation and COVID-19 costs, as the annualised impact of 2019 cost reductions and further reductions made in 2020 took effect.
Adjusted loss/profit and Adjusted DLPS/DEPS	Adjusted profit or loss measures the net profitability of the business adjusted for items such as restructuring costs 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.	Adjusted loss reduced as a result of the cost savings programme reducing both overheads and costs of operations.
Net debt to Adjusted EBITDA	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. Under the previous terms, there was a proforma adjustment. This was removed in the terms agreed on 16 June 2020. The comparatives have been restated to aid comparability. Maintaining this covenant below levels set out in the Company's bank facilities is necessary to avoid an Event of Default.	The net debt to Adjusted EBITDA ratio increased in 2020 primarily as a result of increased net debt levels within the Company. Net debt increased as the Company incurred costs on renegotiating its bank facilities, the cost of relocating two vessels from Europe to the Middle East and cost incurred in managing GMS' response to the COVID-19 pandemic.

Revenue and utilisation



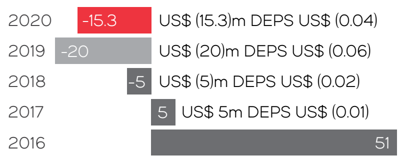
% – SESV utilisation Bars – Revenue

Adjusted EBITDA and Adjusted EBITDA margin



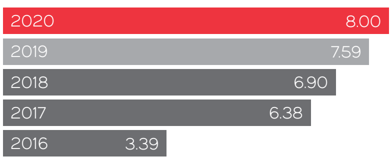
% – Adjusted EBITDA Margin Bars – Adjusted EBITDA

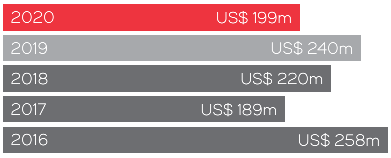
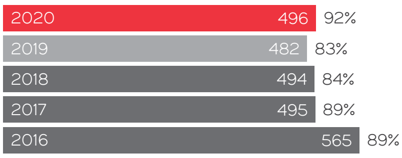
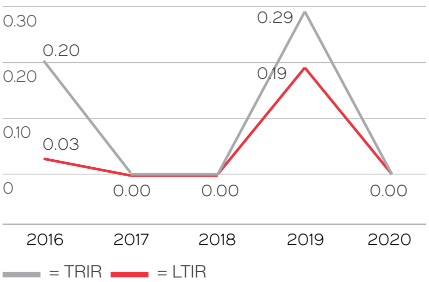
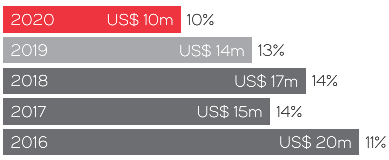
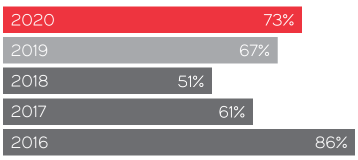
Adjusted loss/profit and Adjusted DLPS/DEPS



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

Net debt to Adjusted EBITDA



KPI	Description	2020 performance
Backlog  The backlog figures shown above are as at the date of each Annual Report rather than 31 December.	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.	The 2019 figure is as at 31 March 2020. The 2020 figure is as at 6 May 2021. Backlog decreased reflecting delays in some contract awards arising from COVID-19.
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 which provides an indication of the Group's service capacity, scale of operations, and manpower cost base.	The Group has maintained a relatively constant level of staff retention despite the significant amount of change in 2020. Average onshore FTEs over the year have reduced from 80 to 53 due to redundancies as part of the continued business restructuring, while for offshore FTEs the average number increased reflecting increased utilisation of our vessels. Total Group headcount increased from 457 at 31 December 2019 to 532 at 31 December 2020.
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.	With zero Lost Time or Recordable Injuries in the year the frequency rates for both TRIR and LTIR have dropped to zero.
Underlying G&A as percentage of revenue  Underlying General and Administrative (G&A) expenses excluding depreciation and amortisation, exceptional and legal costs. % – G&A to revenue Bars – G&A	The G&A to revenue expense ratio compares revenue to the amount of expenses incurred in onshore support operations.	Despite lower revenues in 2020 the G&A expense ratio dropped from 13% in 2019 to 10% in 2020 as result of the Company's continued focus on cost management.
Secured utilisation at 1 January 	Secured utilisation at 1 January based on calendar days and number 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 increased by 6 percentage points compared to 2019 primarily in the E- and K-Class vessels. The E-Class vessel utilisation increased after relocating two of the vessels to the Middle East where there were more opportunities. The K-Class improved due to strengthening EPC demand. This was all despite delays faced in contract awards due to COVID-19 which led to a reduction in average day rates across all three classes by 18%.

	2020 US$m	2019 US$m
Revenue	**102.5**	108.7
Gross loss	**(55.5)**	(25.0)
Adjusted EBITDA[1]	**50.4**	51.4
Asset impairment	**(87.2)**	(59.1)
Loss for the year	**(124.3)**	(85.5)
Adjusted loss[2]	**(15.3)**	(20.0)
Net cash flow before debt service[3]	**31.9**	41.9

Introduction

Revenue reduced by 6% from US$ 108.7 million in 2019 to US$ 102.5 million in 2020. Vessel utilisation increased to 81% (2019: 69%). Delays in contract awards as a result of COVID-19 meant that some of our available E-Class vessels were deployed on to contracts that would have normally been fulfilled by our smaller K-Class vessels. This meant that while utilisation improved, average day rates decreased by 18%.

Adjusted EBITDA was broadly in line with the previous year, at US$ 50.4 million. Cost of sales reduced to US$ 70.9 million (2019: US$ 74.6 million) despite incurring costs associated with relocating two vessels from Europe to the Middle East and costs arising from the impact of COVID-19 totalling US$ 6.8 million and US$ 2.3 million respectively. A continued focus on cost optimisation led to improved underlying trading performance and increased Adjusted EBITDA margins of 49% (2019: 47%).

E-Class utilisation improved from 51% in 2019 to 65% in 2020. Our K-Class utilisation levels also saw a significant increase to 86% (2019: 68%). S-Class utilisation dropped slightly in 2020, to 92% (2019: 97%), all three vessels in this class were fully contracted for the year but two were required to be taken out of service for maintenance work. There was a total of four vessels where COVID-19 was suspected or confirmed during the year over short periods of time, resulting in reduced revenue for the period of US$ 1.7 million. While utilisation improved, rates were lower than 2019 across all three classes, with the E-Class showing the most significant drop at 24% as two of our E-Class fleet were available and contracted at K-Class rates to meet short-term demand. S-Class rates were 3% lower due to a specific contract negotiation that resulted in a 16 month extension of a contract and K-Class 5% lower, primarily from two long-term contracts negotiated in 2019 at lower rates.

Operating costs decreased by US$ 1.0 million in the year (see Note 31), despite the 12 percentage point increase in utilisation as the focus on managing our cost base continued. Included within operating costs are the relocation and COVID-19 costs mentioned above. The COVID-19 costs primarily relate to additional quarantine periods required for our crew. Processes have been changed to mitigate a significant amount of these costs going forward by changing the policy on rotation to reduce quarantine periods for our offshore crew.

General and administrative expenses decreased by US$ 5.9 million (24%), down to US$ 18.2 million compared to the prior year. Restructuring costs were lower by US$ 3.8 million at US$ 2.5 million as the majority of the restructuring took place in 2019. In 2020 legal costs of US$ 3.1 million (2019: nil) were incurred in relation to the Seafox proposed bid offer and governance and management changes. Underlying G&A reduced by US$ 5.2 million, reflecting headcount reduction throughout the organisation in 2020. Since the inception of our cost saving programme in 2019, over US$ 20 million of annualised cost savings have been implemented across the business. The Group continues to look for additional opportunities to implement further reductions to our cost base.

The loss for the year was US$ 124.3 million (2019: US$ 85.5 million). The increase is primarily related to a non-cash impairment charge of US$ 87.2 million (2019: US$ 59.1 million) relating to the value of our K-Class fleet, along with two of our E-Class vessels. The Group expensed the total amount of US$ 16.2 million incurred in fees and previous issue cost write offs relating to the renegotiation of our bank facilities in June 2020. This arose primarily from an error in judgement on whether or not an equity raise was the more likely outcome at the 30 June reporting date. The Board's view is that the level of shareholder support at the time meant that it was unreasonable to assume that US$ 75 million of equity would be raised; and that obtaining the required shareholder support for the issue of warrants was the more likely outcome, therefore the accounting modification test should have been reflected to apply PIK interest to the debt from 1 January 2021 with warrants subsequently issued to the banks. The H1 2021 results will show a restated H1 2020 to reflect the correction of this error in judgement.

Net cash flow before financing activities reduced compared to the prior period from US$ 41.9 million to US$ 31.9 million, reflecting the US$ 6.8 million of vessel relocation costs and the US$ 2.3 million of COVID-19 costs as well as additional drydocking costs paid (up US$ 2.8 million from 2019 at US$ 7.6 million) and the timing of movements in working capital.

Considerably better terms to the Group's bank facilities were agreed on 31 March 2021. Under the terms of the new agreement the margin payable reduces in 2021 and 2022 with the cash savings from reduced interest being used to accelerate repayment of the outstanding principle. The new terms also defer PIK interest, previously required to be charged from 2021 onwards, and defer the requirement to issue any warrants. As part of the new agreement more time has been granted to raise equity of US$ 75 million with a requirement to raise at least US$ 25 million (net) by 30 June 2021 and a further US$ 50 million by the end of 2022. This is subject to shareholder approval noting that Seafox and Mazrui are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. Failure to obtain necessary shareholder approval and raise the required equity would be an event of default under the bank facilities. Given the proximity of the deadline to raise the first US$ 25 million and its uncommitted nature, this indicates a material uncertainty that may cast significant doubt as to the Group's

1 Represents operating loss after adding back depreciation and amortisation, impairment charges and exceptional items in 2020. A reconciliation of this measure is provided in Note 31.
2 Represents loss after adding back impairment charges and exceptional items in 2020. A reconciliation of this measure is provided in Note 31.
3 Represents the sum of cash generated from operations and investing activities.

Vessel Class	Revenue US$'000 2020	Revenue US$'000 2019	Gross profit/(loss) US$'000 2020	Gross profit/(loss) US$'000 2019	Adjusted gross profit/(loss) US$'000* 2020	Adjusted gross profit/(loss) US$'000* 2019
E-Class vessels	**29,407**	35,984	**(26,047)**	(51,826)	**(22)**	2,737
S-Class vessels	**32,136**	35,422	**15,797**	14,617	**15,797**	17,462
K-Class vessels	**40,947**	37,313	**(45,076)**	14,449	**16,055**	14,449
Other vessels	**2**	2	**(202)**	(2,214)	**(202)**	(497)
Total	**102,492**	**108,721**	**(55,528)**	**(24,974)**	**31,628**	**34,151**

* See Glossary and Note 30 of the consolidated financial statements.

ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on progress to date and an informal commitment from these two shareholders representing 42% of the share capital of the Company to take up their prorated share there is good reason to believe that the equity raise will be successfully completed and have therefore adopted the going concern basis of accounting in preparing the consolidated financial statements.

COVID-19

During the year, a total of four vessels reported suspected or confirmed COVID-19 cases. In three of these cases the vessel was placed in quarantine until all personnel on board tested negative. Overall, we experienced 2% downtime in the year as a result of COVID-19 resulting in US$ 1.7 million of lost revenue and US$ 2.3 million in additional costs which were mainly incurred in crew quarantine.

Our biggest pandemic related challenge in 2020 was the curtailment of international travel or, in some cases, border closures in the countries we operate in. This often prevented the Group from changing out offshore crew at the end of their rotations. Where GMS was able to change out personnel, delays were caused as crew were required to go through a quarantine period prior to joining the vessel. Crew rotation durations have been temporarily amended to mitigate both the financial and operational impact experienced to date.

Some potential clients facing supply chain or logistic issues deferred contract awards in 2020. The majority of these awards are still live, with some having been already awarded and the remainder expected to be awarded in 2021.

Revenue and segmental profit/loss

The table above shows the contribution to revenue and segment gross profit or loss made by each vessel class during the year.

Despite the impact of COVID-19 on the industry during the year, the Company's average utilisation across its fleet increased from 69% in 2019 to 81% in 2020. The Group experienced less than 2% of operational downtime as a direct result of the pandemic.

Utilisation levels in North West Europe (where there is now only one vessel operating) improved significantly to 92% in the year (2019: 49%) whilst serving contracts solely related to the Offshore Renewables market.

The Group's MENA region also saw a rise in utilisation levels, increasing to 80% (2019: 75% in 2019). This was despite two vessels being off hire, whilst relocating from North West Europe in the early part of the year, and delays in awards of new work, due to COVID-19.

E-Class vessel utilisation increased from 51% in 2019 to 65% in 2020. The greater number opportunities in the MENA region available to the two relocated vessels resulted in a small increase in their utilisation in the year, from 38% in 2019 to 42% in 2020. This was despite the vessels being relocated and both being unavailable for hire in the first three months of the year.

Utilisation on the K-Class vessels increased from 68% in 2019 to 86% in 2020, primarily as a result of two long term contracts secured in 2019. Three vessels mobilised for new contracts in the early part of 2020 and there was a gradual increase to utilisation over the remainder of the year. One vessel was also taken out of service, for a prolonged period, in order to complete its five year special survey.

S-Class utilisation decreased from 97% in 2019 to 92% in 2020. The drop in utilisation was caused by two vessels required to be taken out of services for maintenance work.

Overall, average day rates were lower in 2020 across each vessel class. E-Class average rates dropped by 24%, mainly as a result of securing two contracts which would normally be fulfilled by the smaller K-Class vessels, all of which were already on charter hire. One of these contracts allowed the Company to demonstrate the use of the Cantilever System installed on GMS Evolution and following its successful trial last year lead to a long term contract being awarded for the vessel in 2021 at a significantly higher day rate.

K-Class average day rates dropped by 5%, mainly driven by two longer-term contracts secured in 2019 at lower rates and an outbreak of COVID-19 on board one vessel where a lower standby rate was applicable whilst the vessel was in quarantine. There was a marginal drop in S-Class day rates of 3%, which was negotiated with one client on a contract that was due to finish in August 2020 but then extended through to the end of 2021.

During the year, the share of total Group revenue derived from customers located in the MENA region increased to 88% (2019: 75%) following the relocation of two E-Class vessels. National Oil Companies (NOCs) were the principal client representing 68% of 2020 total revenue, compared to 55% in 2019.

The UAE remains the largest revenue contributor in the MENA region, now generating 52% of total revenue (2019: 33%). Qatar has seen an increase in revenue contribution (19% compared to 12% in 2019) reaffirming the capability of our vessels in that region for the future.

Cost of sales, impairment and administrative expenses

Cost of sales decreased from US$ 74.6 million in 2019 to US$ 70.9 million in 2020. Impairment totalled US$ 87.2 million (2019: US$ 59.1 million) on five K-Class and two E-Class vessels. Total depreciation and amortisation included in cost of sales amounted to US$ 28.6 million in 2020 (2019: US$ 31.3 million).

Despite increased utilisation and US$ 9.1 million of costs incurred through a combination of relocating two vessels to the MENA region and COVID-19, cost of sales excluding depreciation and amortisation reduced by 2% to US$ 42.3 million (2019: US$ 43.3 million).

Overall general and administrative costs reduced from US$ 24.1 million to US$ 18.2 million. The majority of this reduction is due to the continued effort to reduce the cost base. General and administrative costs excluding depreciation, amortisation, exceptional legal costs and restructuring costs reduced by 31% in the year, US$ 14.1 million down to US$ 9.8 million.

Adjusted EBITDA

Adjusted EBITDA was US$ 50.4 million (2019: US$ 51.4 million), with the Adjusted EBITDA margin increasing to 49% (2019: 47%), despite vessel relocation and COVID-19 costs, as the annualised impact of 2019 cost reductions and further reductions made in 2020 took effect.

Finance costs, foreign exchange and disposal of assets

Finance costs comprise the cost of borrowings and costs in relation to the renegotiations of our bank facilities in June 2020. These costs increased from US$ 32.1 million in 2019 to US$ 46.7 million in 2020 primarily as a result of US$ 16.2 million of finance expenses incurred in restructuring of the banking facilities earlier in the year. This is discussed in further detail below. Finance costs excluding this adjustment reduced to US$ 29.3 million (2019: US$ 32.1 million), as a result of a reduced average LIBOR rates which during the period averaged 1.0%, compared to 2.5% in 2019.

A net foreign exchange loss of US$ 1.0 million (2019: US$ 1.2 million) was recognised in the period, mainly relating to our forex exposure on contracts in Europe, which were denominated in either Sterling or Euros.

Following the downsizing and relocation of the Group's Headquarters in Abu Dhabi, a loss on disposal of assets of US$ 2.1 million was incurred on fixtures and fittings and obsolete plant and machinery.

Taxation

The net tax charge for the year was US$ 1.3 million (2019: US$ 3.7 million). This reflects an increase to profits in the United Arab Emirates where corporation tax is not charged following the relocation of two E-Class vessels from a higher tax jurisdiction. Unused tax losses of US$ 20.0 million (2019: US$ 12.3 million) arising from UK operations are available for offset against future profits with an indefinite expiry period. Based on the projections of the Group's activity in North West Europe where there is now one vessel remaining following the relocation of the two E-Class at the end of 2019, there are insufficient future UK taxable profits to justify the recognition of a deferred tax asset. On this basis the deferred tax asset was derecognised during the year ended 31 December 2019 and no deferred tax asset has been recognised in 2020.

Earnings

The loss for the year was higher than 2019 at US$ 124.3 million (2019: US$ 85.5 million), as a consequence of the impairment charge in 2020 being US$ 28.0 million higher than the one recorded last year, US$ 16.2 million of finance expenses relating to the renegotiation of our bank facilities and US$ 2.1 million of asset disposals. The loss was offset by a US$ 3.2 million saving on depreciation, US$ 2.4 million reduction to tax charges and reduced foreign exchange losses of US$ 0.2 million.

After adjusting for exceptional items (impairment, debt facility costs and legal and restructuring costs) the Group incurred an adjusted loss of US$ 15.3 million, reducing from US$ 20.0 million in 2019. Refer to Note 31 for more details.

Capital expenditure

The Group's capital expenditure during the year was US$ 14.2 million (2019: US$ 9.5 million) which covered dry docking costs and upgrades on vessels to meet client requirements.

The Company will look to minimise capital expenditure going forward, as it focuses on maximising cash generation in order to continue reducing bank debt. Until the Company's leverage position is normalised, capital expenditure will be limited to maintaining the fleet, to a level that ensures safe operations and meets client requirements.

Cash flow and liquidity

During the year the Group delivered operating cash flows of US$ 44.6 million (2019: US$ 51.3 million). This reduction is primarily as a result of costs relating to the relocation of two vessels to the MENA region and COVID-19 costs incurred in the year, neither of which occurred in 2019, offset by the effect of cost savings implemented. Other movements include increased payments for drydocking costs (up US$ 2.8 million from 2019 at US$ 7.6 million) and the timing of movements in working capital.

Balance sheet

Total non-current assets at 31 December 2020 were US$ 618.8 million (2019: US$ 722.3 million), following an impairment charge on some of the Group's vessels of US$ 87.2 million. Total current assets at 31 December 2019 were US$ 35.6 million (2019: US$ 47.9 million).

Cash and cash equivalents decreased to US$ 3.8 million (2019: US$ 8.4 million). Trade and other receivables decreased from US$ 39.2 million in 2019 to US$ 31.8 million as at 31 December 2020. Trade receivables are primarily with NOC, IOC and international EPC companies, with over 85% being aged between 0-60 days.

Total current liabilities reduced to US$ 61.0 million, at 31 December 2020 (2019: US$ 435.8 million). In the year, US$ 309.2 million was reclassified from current liabilities to amounts falling due in more than one year, following the renegotiation of our bank facilities in June 2020. Trade payables increased from US$ 11.5 million at 31 December 2019 to US$ 12.3 million as at 31 December 2020. Other payables reduced by US$ 5.5 million to US$ 11.1 million, following release of accruals and deferred income carried in 2019.

Net bank debt and borrowings

Net bank debt was US$ 406.3 million, as at 31 December 2020 (2019: US$ 393.8 million). In June 2020, the terms of the Group's bank facilities were renegotiated with a rescheduling of repayments and increased covenant headroom put in place, and a requirement for the issue of US$ 75 million of new equity or issue warrants (plus PIK interest) by the end of 2020. Based on this amendment the Group assessed the present value of the cashflows under the new terms compared to the original loan to determine whether this represented a substantial modification under IFRS 9. Where this is the case then the related refinancing costs are expensed rather than being deferred in the carrying value of the debt. This judgement, as required by IFRS 9, fundamentally came down to whether or not, as at 16 June 2020, the issue of warrants and the accrual of PIK interest were more likely than the issuance of equity. At the time of signing the 2020 interim financial results, management made the judgement that raising US$ 75 million was the more likely outcome and therefore did not apply PIK interest to the cashflow comparison between the old and new facility. As a result the amendment to the terms of the bank loan did not represent a substantial modification and US$ 15.8 million of related costs were initially deferred in the carrying value of the debt.

The Board have subsequently reassessed the judgement made in June 2020 when the debt terms were modified. The Board has concluded that the previous judgement in which a successful equity raise of US$ 75 million was the more likely outcome was erroneous based on facts that should have been taken into account at the time. Specifically, that the level of shareholder support as of 16 June 2020 for the US$ 75 million equity raise meant that it was unreasonable to assume that such an equity raise would be achieved; and that obtaining the required shareholder support for the issue of warrants was the more likely outcome, therefore the accounting modification test should have been reflected to apply PIK interest to the debt from 1 January 2021 with warrants subsequently issued to the banks. The H1 2021 results will show a restated H1 2020 to reflect the correction of this error in judgement.

As a consequence of this revised judgement, the previous conclusion that the modification did not meet the definition of a “substantial modification” under IFRS 9 has also been revised. The effect of this has been that the debt held immediately prior to the modification has been extinguished and de-recognised from the balance sheet, and the total impact of acquiring the new bank facility in June 2020 of US$ 16.2 million has been expensed to the profit or loss account as an exceptional item under finance expenses.

Going Concern

The Group’s Directors have assessed the Group’s financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

On 31 December 2020, the Group’s banking syndicate agreed to extend certain obligations on the Group, which it was otherwise required to have met including the requirement to issue warrants to the banks. This meant the Group was not in an event of default as at 31 December 2020. This was subsequently extended on two further occasions through to 31 March 2021 at which point the Company entered into a new agreement with its lenders, delivering significantly improved terms, which were consistent with the term sheet announced on 16 March 2021.

The revised deal provides additional time needed to complete an equity raise with a lower initial quantum and now includes a requirement of US$ 25 million of equity (net) to be raised by 30 June 2021 and a further US$ 50 million by 31 December 2022. This must be put to the Company’s shareholders to approve, noting that Seafox and Mazrui are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. Failure to obtain the necessary shareholder approval and raise US$ 25 million of new equity (net) by 30 June 2021 will result in an event of default and indicates a material uncertainty that may cast significant doubt as to the Group’s ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on the progress made to date and an informal commitment from these two shareholders representing 42% of the share capital of the Company to take up their prorated share, that the equity raise will be successfully completed prior to 30 June 2021. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

If shareholder approval is not obtained and US$ 25 million of new equity is not placed by 30 June 2021 the banks would retain the right, under the existing loan terms, to call default on the loans as of that date. This would allow a majority of banks, representing at least 66.67% of total commitments, to exercise their rights to recall all credit facilities, demand immediate repayment and/or enforce its rights over the security granted by the Company as part of this facility either through enforcing security over assets and/or exercising the share pledge to take control of the Group.

GMS remains cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The Board’s view is that the transition risk associated with climate change remains an emerging risk with no appreciable impact in the going concern forecast period.

The impact of COVID-19 has also been considered with vessel downtime, as a contingency, for 2021. The forecast has been amended to allow for additional hotel and testing costs for offshore crew whilst in quarantine. Terms and conditions of crew rotations have also been amended and costs updated to reflect this. Rotations have been extended for all crew to limit the number of times in quarantine and the number of changeouts on the crew which increases the risk of infection each time it occurs. All policies are in line with Government and client guidelines for offshore activities.

Related party transactions

During the year there were related party transactions with our partner in Saudi for leases of breathing equipment for some of our vessels and office space totalling US$ 0.6 million.

The Group has never had transactions with its largest shareholder, Seafox International and has agreed with its banks, in its latest agreement signed in March 2021, restrictions on any future transactions with them or their affiliates.

Adjusting items

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

Andy Robertson
Chief Financial Officer
21 May 2021

How we assess our prospects

During the year, the Board has carried out a robust assessment of the principal risks affecting the Company, particularly those which could threaten the business model. The risk assessment process principal risks, and the actions being taken to manage or mitigate them, are explained in detail on pages 20 to 25 of this Annual Report.
In reaching our Viability Statement conclusion, we have undertaken the following process:

- The Audit and Risk Committee reviewed the Risk Management process at their meetings in March, July, October and December, receiving presentations from the Finance team who are responsible for facilitating the enterprise risk assessment process, explaining the processes followed by management in identifying and managing risk throughout the business.
- All risk owners are aware of their responsibilities and deadlines in terms of risk management and reporting.
- Using the outputs from the final bottom-up risk identification completed in November 2020, the most significant risks were combined to make the 10 principal risks submitted to the Board for their approval.
- This included the rewording of certain risks relating to customer concentration and utilisation. COVID-19 is specifically included as a separate principal risk rather than including it across other principal operating, compliance and safety risks because of the way it has been managed by the Senior Management team in 2020 (for example weekly standing agenda point in management team meetings, separate presentations to those charged with governance).
- The final Principal Risks were presented to the Audit Committee and the Board in March 2021 for their consideration and approval.

Assessment period

In accordance with provisions of the 2018 revision of the UK Corporate Governance Code, the Board has assessed the prospects and the viability of the Group over a longer period than the 12 months required to determine the going concern basis of preparation of the financial statements of a business. The Board assessed the business over a number of time horizons for different reasons, including the following: Annual Corporate Budget (2021), and Five-year Business Plan. The assessment took into consideration the potential impact that the Group's principal risks and uncertainties detailed on pages 20 to 25 could have on the business model, liquidity and future performance within the review period.

The Directors have determined that the period through to June 2024 is appropriate for the purposes of conducting this review. This period was selected with reference to the covenant testing dates, current backlog and business development pipeline, both of which offer limited visibility beyond this point, particularly in light of current macro-economic volatility. This period is also aligned with industry peers. The Board reviews annually and on a rolling basis the strategic plan for the business which management progressively implements.

Scenario testing

The Group renegotiated improved terms with its lenders in March 2021. The revised deal provides additional time needed to complete an equity raise with a lower initial quantum and now includes a requirement of US$ 25 million of equity (net) to be raised by 30 June 2021 and a further US$ 50 million by 31 December 2022. Failure to raise US$ 25 million of new equity by 30 June 2021 will result in an event of default and indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. The US$ 25 million equity raise must be put to the Company's shareholders to approve. Seafox and Mazrui are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. Failure to obtain the necessary shareholder approval and raise US$ 25 million of new equity (net) by 30 June 2021 will result in an event of default and indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on the progress made to date and an informal commitment from these two shareholders representing 42% of the share capital of the Company to take up their prorated share, that the equity raise will be successfully completed prior to 30 June 2021.

For the purposes of this viability assessment, the Group believes that these will be achieved. Accordingly, we have assessed the business plan against the existing covenants taking into account both the US$ 25 million and US$ 50 million deleveraging.

The Group's forecasts have been stress tested against a worst case scenario where EBITDA is sufficiently reduced to breach covenants as a result of a combination of reduced utilisation and day rates. If utilisation were to reduce down to 55% by 2023 and the number of vessels in operation in 2023 were to go down from 13 to 7 then the interest cover and net leverage ratios would be breached. Average day rates increase in this extreme scenario with the covenant breach as there are fewer vessels working. This is not considered a severe but plausible scenario and therefore any reasonable deterioration in utilisation and/or day rates can be managed accordingly.

In considering the impact of this, the Board has reviewed realistic mitigating actions that could be taken to reduce or minimise the impact or occurrence of the underlying risks, including further cost reductions.

While the COVID-19 pandemic and its impact on oil price remain uncertain, the Directors believe the potential impact is considered in the forecast. The Group has implemented a set of measures to prevent any major impact of COVID-19 and continues to monitor the situation closely. Brexit is not expected to have a significant effect on the Group's operations as 12 of 13 vessels are in the MENA region. For more information on Brexit impact, please refer to the Financial Statements on page 119. The forecasts used in assessing long term viability support the view that there will be significant demand for the Group's key source of revenue (oil and gas products) for at least the next decade and accordingly climate change does not impact the carrying values or expected lives of the fleet and other non-current assets. As an SESV operator in both the oil and gas and renewables industries, the Directors also believe there is significant operational flexibility.

Whilst the principal risks all have the potential to affect future performance, none of them are considered likely either individually or collectively to threaten the viability of the business over the assessment period. Based on the results of this detailed assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due through until June 2024.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As I mentioned in my Chairman's Review on page 2, shareholders voted to appoint new Directors to the Board, including myself, in November last year. Shareholders also reappointed Hassan Heikal to the Board in November. The Board subsequently appointed Jyrki Koskelo to the Board in February this year. This has assembled a Board, both committed and able to promote the interests of all stakeholders in the Group. I am pleased that this has brought a conclusion to a period of change to the Board that could only be achieved through General Meetings requisitioned by shareholders. This new Board has been working diligently in moving the Company forward in the interest of all its shareholders.

The significant governance developments during this period, include:

1. On 16 June 2020, the Group and its lending banks finalised amendments to the Group's lending facilities on terms approved by the then Board of Directors.
2. At the 2020 Annual General Meeting, shareholders voted not to reappoint three of the then Directors on the Board, Steve Kersley (the CFO), Mike Turner (the Senior Independent Non-Executive Director) and David Blewden (the Independent Non-Executive Director). The remaining Board, immediately after the Annual General Meeting, reappointed the two Non-Executive Directors. The CFO was not reappointed to the Board.
3. The then Board declined to appoint Hassan Heikal and Hesham Halbouny to the Board after they were nominated by Seafox International Ltd (Seafox), the Company's largest shareholder. Seafox then requisitioned a General Meeting for their appointment to be proposed to shareholders. Hassan Heikal and Hesham Halbouny's appointment was effected by shareholders at that requisitioned meeting held on 4 August 2020. Hassan Heikal and Hesham Halbouny resigned from the Board on 7 October 2020.
4. On 27 October 2020, a General Meeting was held at which shareholders were asked by the then Board to approve the issue of warrants to the Group's lenders in accordance with the terms of the agreement reached with the lending banks in June 2020. Shareholders voted to reject this proposal.
5. At a General Meeting held on 10 November 2020, requisitioned by Seafox, shareholders voted to remove the Non-Executive Directors. This included Mike Turner and David Blewden, whose reappointment had been voted against by a majority of shareholders at the Annual General Meeting on 30 June 2020. The other two Non-Executive Directors not removed, Shona Grant and Mo Bississo, participated in the reappointment of their two colleagues immediately following the June Annual General Meeting.
6. In the place of the Directors removed, shareholders appointed Rashed Al Jarwan, Saeed Mer Abdulla Khoory and myself, being highly experienced Non-Executive Directors with substantial knowledge of conducting business in the Company's sphere of operations and beyond. Rashed Al Jarwan was appointed Senior Independent Non-Executive Director. Tim Summers, who until that point had been Executive Chairman, resigned from the Board on terms approved by the previous Board.
7. In light of Tim Summers having stepped down from the Board, I was appointed Chairman, and subsequently Executive Chairman, a role which I continue to hold in leading the business and the Board. Whilst holding the positions of both Chairman and Chief Executive is not recommended by the 2018 UK Corporate Governance Code (the Code), the Board has concluded that this continues to be appropriate for the Group. This recognises both the level and pace of change necessary for the Group and its relatively small scale. The Board also believes that I am the best person to chair the Board and lead the management of the business for the foreseeable future. This is discussed in more detail on page 49. Since the year end, the Board has appointed one additional Independent Non-Executive Director to ensure an appropriate balance on the Board.
8. Very sadly, Saeed Mer Abdulla Khoory passed away on 2 February 2021. Saeed was a highly respected member of the Board whose seasoned contributions will be missed.
9. Hassan Heikal was appointed Non-Executive Deputy Chairman in February 2021 in light of his specific industry experience and key role in the bank and equity financing. An additional Independent Non-Executive Director, Jyrki Koskelo, joined the Board in February this year. He brings a wealth of experience, adding further value to the Board.
10. The memberships of the Committees have been established to ensure these are in compliance with the Code. These memberships are shown on pages 36 and 37. Periods of non-compliance are also outlined on page 42. These were remedied as soon as practicable.
11. Rashed Al Jarwan has been appointed as the Non-Executive Director who will be involved and oversee workforce engagement on the Board's behalf, as recommended by the Code.

As is clear, there has been a lot of change at a Board level, some of it only achieved by the intervention of shareholders. The Board is working diligently to sustain operational excellence to enhance performance and utilisation of the Group's assets, and to explore and secure new opportunities within the Group's areas of operation. We are also in the process of recruiting at least one additional independent Non-Executive Director in the near future. The Board's focus is wholly on its management of the Company, the generation of shareholder value and the governance of the Group in line with the duties of the Board 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 Code. The Board considers that the Group complied with the relevant Code provisions that applied during the year, except those provisions set out in the table on page 42, until the dates shown in that table where applicable. The table also states the reasons where the Group departed from the provisions of the Code.

Mansour Al Alami
Executive Chairman
21 May 2021

Governance calendar for 2020

The overall calendar of meetings of the Board and its Committees for 2020 is shown below.

Governance calendar for 2020

	Further information	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board	Page 36	●	◐	● ◐	◐ ◐ ◐ ◐	◐ ◐ ◐	◐ ◐ ● ◐ ◐	◐	●	◐ ◐ ◐	● ◐ ◐	◐ ◐ ◐ ◐	◐ ◐
Audit and Risk Committee	Page 44	●		●	◐			●	●		◐	◐	●
Remuneration Committee	Page 51			●			◐ ◐		◐			◐ ◐	
Nomination Committee	Page 49			●									
Annual General Meeting	Page 43						●						

● *Principal Meetings ◐ **Non-Scheduled Meetings

* Principal Meetings are meetings of the Board, and of its Committees, which are scheduled, and approved by the Board, at the start of each calendar year.

** All meetings which were not originally scheduled by the Board at the start of the year are considered Non-Scheduled Meetings.

Meeting attendance by Directors in 2020

Director	Board meeting (scheduled meetings)	Board meeting (additional)	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Mansour al Alami[1]	○ ○ ○ ○ ○ ●	○ ● ● ● ●	○ ○ ○ ○ ○ ○ ○ ◐	○ ○ ○ ○ ○ ◐	
Hassan Heikal[2]	○ ○ ○ ○ ○ ●	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ● ◆ ◆ ○ ○ ○ ○ ● ● ◆[3]	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○	
Rashed Al Jarwan[4]	○ ○ ○ ○ ○ ●	○ ● ● ● ●	○ ○ ○ ○ ○ ○ ○ ●	○ ○ ○ ○ ○ ●	
Saeed Mer Abdulla Khoory[5]	○ ○ ○ ○ ○ ●	○ ● ● ● ●	○ ○ ○ ○ ○ ○ ○ ●	○ ○ ○ ○ ○ ●	
Tim Summers[6]	● ● ● ● ● ○	● ○ ○ ○ ○	○ ○ ◐ ○ ○ ◐ ○ ○	◐ ◐ ○ ◐ ○ ○	●
Steve Kersley[7]	● ● ● ○ ○ ○	● ● ● ● ● ● ● ● ● ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○	◐ ◐ ◐ ◐ ◐ ◐ ◐ ○	○ ○ ○ ○ ○ ○	
Mo Bississo[8]	● ● ● ● ● ○	● ○ ○ ○ ○	◐ ○ ◐ ○ ◐ ○ ◐ ○	◐ ◐ ○ ○ ◐ ○	●
David Blewden[9]	● ● ● ● ● ○	● ○ ○ ○ ○	● ● ● ● ● ● ● ○	● ● ● ● ● ○	●
Shona Grant[10]	● ● ● ● ● ○	● ○ ○ ○ ○	● ● ● ● ● ● ● ○	● ● ● ● ● ○	●
Hesham Halbouny[11]	○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ● ◆ ◆ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○	
Mike Turner[12]	● ● ● ● ● ○	● ○ ○ ○ ○	● ● ● ● ● ● ● ○	● ● ● ● ● ○	●

● Attended ◐ Attended all or part of meeting as an invitee ◆ Apologies[3] or recused ○ Not on Board/Committee

1 Mansour Al Alami was appointed as Independent Non-Executive Chairman with effect from 10 November 2020 and was appointed Executive Chairman with effect from 23 November 2020.
2 Hassan Heikal was appointed as a Non-Executive Director with effect from 4 August 2020, resigned with effect from 7 October 2020 and was re-appointed as a Non-Executive Director with effect from 25 November 2020.
3 Hassan Heikal was prevented from attending as this meeting was arranged on short notice at a time when he was not available although he participated in a discussion of the matters of the meeting separately and these views were reported to, and taken into account at, the Board meeting.
4 Rashed Al Jarwan was appointed as Senior Independent Non-Executive Director with effect from 10 November 2020.
5 Saeed Mer Abdulla Khoory was appointed as an Independent Non-Executive Director with effect from 10 November 2020.
6 Tim Summers resigned from the Board with effect from 10 November 2020.
7 Steve Kersley ceased to be an Executive Director with effect from 30 June 2020.
8 Mo Bississo ceased to be a Director on 10 November 2020, having been removed from office by shareholders at a requisitioned general meeting.
9 David Blewden ceased to be a Director on 10 November 2020, having been removed from office by shareholders at a requisitioned general meeting.
10 Shona Grant ceased to be a Director on 10 November 2020, having been removed from office by shareholders at a requisitioned general meeting.
11 Hesham Halbouny was appointed as a Non-Executive Director with effect from 4 August 2020 and resigned with effect from 7 October 2020.
12 Mike Turner ceased to be a Director on 10 November 2020, having been removed from office by shareholders at a requisitioned general meeting.

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 & 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 and 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 re-positioning plan.

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

External appointments

Mansour currently sits on the Boards of the following Amman Stock Exchange-listed companies: Masafat Specialized Transport Co, International Cards Company PLC, Al-Quds Ready Mix PLC, International Brokerage & Financial Markets Company and Contempro for Housing Projects PLC.

☐ N

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 supermarket chain in Egypt. He is the Co-Founder of EFG Hermes, a leading investment bank based in the Middle East where he served for 18 years, latterly seven 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 and gas 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.

External appointments

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

☐ Indicates Committee Chair A Member of the Audit and Risk Committee N Member of the Nomination Committee R Member of the Remuneration Committee

Rashed Al Jarwan

Senior Independent Non-Executive Director

10 November 2020

Rashed Al Jarwan has served in Dana Gas (from 2006 to present) as General Manager, Executive Director and currently acts as Vice Chairman and Chairman of the Board Steering Committee. Prior to joining Dana Gas, he served in various technical and general management roles at ADNOC and its group of companies over a 28-year period.

He brings energy sector experience gained in over 40 years in the industry. His understanding of the energy sector, technical knowledge and strong experience serving on other boards and committees in the MENA region enable him to bring a high level of expertise to the GMS Board.

Rashed has a BSc in Petroleum & Natural Gas Engineering from Pennsylvania State University, USA.

Rashed currently serves as Vice Chairman and Chairman of the Board Steering Committee of Dana Gas. He is also a Non-Executive Director on the boards of Emirates General Petroleum Company (EMARAT), Dubai International Financial Centre (DIFC), Oman Insurance Co, MASHREQ Bank, and Al Ghurair Investment Co.

A N R

Jyrki Koskelo

Independent Non-Executive Director

5 February 2021

Jyrki Koskelo currently holds several non-executive and advisory roles focussed on emerging markets.

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).

A professional in engineering and finance, Jyrki has significant regional as well as global banking experience covering more than 40 years.

Jyrki has an M.Sc. 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 Board member and Chair of the Investment Committee of Africa Agriculture and Trade Investment Fund, based in Luxembourg. He is also a Board member of EXPO Bank, the Czech Republic, part of the Expobank Group, a member of the Supervisory Board of FIBank, Bulgaria, and Chairman of Invest Solar, an investment vehicle focused on Botswana.

A N R

Dear Shareholders,

The Board's role is to promote the long-term success of the Company and to generate value for shareholders and other stakeholders on a sustainable basis over the long term. 2020 was another pivotal year for GMS with key changes in leadership and, towards the end of the year, the appointment of a completely new Board. The Board brings with it extensive and relevant sector experience, significant local insight, and a fresh outlook. This has involved all Directors, both Executive and Non-Executive, contributing their skills and experience to the business.

Board Calendar for principal meetings in 2020

***At each principal meeting**

****Review and discussion of:**

- Health, safety and the environment
- Fleet performance and operational matters
- Discussions regarding the progress of negotiations with the Group's banks on re-setting its capital structure and going concern
- Competitive landscape and market
- 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
- COVID-19

Review of reports from Board Committees as relevant

*****At specific meetings**

January
Strategy development.

Review of the initial results of the employee survey.

March
Review and approval of the Committees' Terms of Reference.

Review of the results of the Board evaluation.

Review of employee survey.

Review of office relocation.

April
Review of Seafox's non-binding approach to acquire GMS.

Review and approval of the 2019 financial results and Annual Report.

Arrangements for the Annual General Meeting.

May
Discussions, review and recommendation regarding Seafox's non-binding approach to acquire GMS.

Review and approval of agreement with Zakher Marine.

Discussions regarding capital raise arrangements.

June
Review and recommendation regarding Seafox's resolutions for appointments of its nominees at a General Meeting.

Review and approval of debt structure agreement with the banks.

Discussions on capital raise arrangements.

Discussions regarding the outcome of the Annual General Meeting and the re-appointment of Non-Executive Directors.

July
Discussions, review and recommendation to convene a requisitioned General Meeting to appoint Non-Executive Directors.

August
Review and approval of half-year results.

Review and approval of Matters Reserved to the Board.

September
Discussion, review and recommendation to further progress capital raise arrangements.

Discussions, review and recommendation to retain the Board's constitution following Seafox's letter for the removal of all Non-Executive Directors.

October
Discussions, review and recommendation to convene a General Meeting for approval to issue warrants to lending banks.

Discussions, review and recommendation to convene two requisitioned General Meetings for the removal and appointment of Non-Executive Directors.

November
Discussions, review and recommendation for former interim Executive Chairman and the CFO's settlement agreements.

Following replacement of the Board, appointment of Chairman, Senior Independent Director and Board Committees.

Appointment of Chairman as interim Executive Chairman.

December
Decision to pursue amended agreement with the banks and extension of time available to do so.

* Principal meetings are meetings of the Board which are scheduled, and approved by the Board, at the start of each calendar year.
** These are the main agenda items reviewed and discussed at each principal meeting.
*** This provides a snapshot of some of the matters discussed at Board meetings during 2020.

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. See pages 44 to 48 for the Report of the Audit and Risk Committee.	Determines the reward strategy for the Executive Directors, Senior Management and Chairman to attract and retain appropriate individuals and to align their interests with those of shareholders. See pages 51 to 69 for the Report of the Remuneration Committee.	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 49 to 50 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. Periods of non-compliance are outlined on page 42. The current members of the Board have a wide range of appropriate skills and experience and their biographies can be found on pages 36 to 37. Arrangements are also currently being progressed for the appointment of at least one further independent Non-Executive Director. Under the revised terms for the bank debt facilities agreed with the lending banks in March 2021, the lender may appoint an observer to attend Board meetings with access to materials but no voting rights.

Non-Executive Directors and independence
The Non-Executive Directors are a key source of expertise and contribute to the effectiveness of the Board. The Board considers and reviews the independence of each Non-Executive Director 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. Periods of non-compliance are outlined on page 42. Following a review by the current Board, the Board concluded that each of the Non-Executive Directors demonstrate the requisite qualities.

Rashed Al Jarwan and Jyrki Koskelo are considered by the Board to be independent. Hassan Heikal is considered a Non-Independent Non-Executive Director due to him having a dual role with one of our 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. Rashed Al Jarwan as our Senior Independent Director, along with Jyrki Koskelo, our other Independent Non-Executive Director, 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, we bring considerable sector, technical, financial and operational experience to bear on the Company. In addition, the Board is wholly committed to promoting the long-term sustainable success of the Company 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 management presenting directly to the Board when appropriate.

As a Board, we operate in a collegiate manner 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 robust 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. Further relevant information is provided in the Independence and Non-Executive Directors and Conflict of Interest sections of this report. The Non-Executive Directors all provide significant value in their roles.

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, significant potential acquisitions, risk management and the overall system of internal controls. The Board's full responsibilities are set out in the matters reserved for the Board.

The Board is assisted in certain responsibilities by its Committees which carry out certain 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 pages 36 to 37 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 an overall calendar of subjects to be discussed by the Board 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 (any dissenting views are minuted accordingly).
- Main Board meetings generally take place at the Company's headquarters in Abu Dhabi with the Board visible and accessible to management and staff. During the COVID-19 outbreak, as a result of which travel restrictions are in place, the Board is continuing to meet regularly and will continue to do so by means of telephone and/or video conference arrangements to ensure that it is able to discharge its duties during this exceptional period.
- The development of Group strategy is led by the Chairman, with input, challenge, examination and ongoing testing and review by the Non-Executive Directors.
- Good working relationships exist between Non-Executive Directors and Non-Board members of the Senior Management team.
- Members of the Senior Management team 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 normally distributed in advance of 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 at each of its principal meetings 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 regular 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 of the current Board has received briefings as well as undertaken induction and training sessions tailored to their individual and general requirements, this has included presentations by the Company Secretary and/or the Company's legal advisors.

Re-election 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-election at the Company's 2021 Annual General Meeting (AGM) as set out in the Notice of AGM being sent to shareholders.

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, and a procedure as well as 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 major shareholder and 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 main 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 new Board intends to conduct a review of its performance during 2021.

Engagement with shareholders and other stakeholders

The Chairman, along with the Chief Financial Officer, is responsible for shareholder relations, ensuring that there is effective communication with shareholders on matters such as performance, governance and strategy. The Senior Independent Non-Executive 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.

As part of our investor relations programme, a combination of presentations, Group calls and one-to-one meetings are arranged to discuss the Company's half-year and full-year results with current and prospective institutional shareholders and analysts. Additional meetings are 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, including copies of our presentations to analysts 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 appointment of the Deputy Chairman.
- The 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 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 them, as well as at main Board meetings.
- The Senior Independent Director acts as a sounding board and confidante to the 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 with executive Directors 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.
- Meeting with the Non-Executive Directors without the Executive management team present, at least annually.

*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 KPIs and objectives.
- Leading the development of the Group's strategy with input from the rest of the Board.
- Working with the Chairman 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 in the operation of the Board.

Senior Independent Director

- 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.

Company Secretary

- Secretary to the Board and each of its Committees.
- Assisting in the administration of the Board and its Committees to ensure that Board papers are clear, accurate, timely and of sufficient quality to enable the Board to discharge its duties effectively.
- Providing advice to the Board and each of its Committees regarding governance matters.

Compliance with the 2018 UK Corporate Governance Code ("the Code")

The table below shows the provisions of the Code with which the Group was not in compliance during 2020.

Code Provision		Period of non-compliance	Reasons for non-compliance
5.	A designated Director for engagement with the workforce.	From 10 November 2020 to 6 May 2021.	Transition period following complete Board change and selection of an appropriate Director to fulfil this role.
9.	The roles of Chair and Chief Executive should not be exercised by the same individual.	From 21 August 2019.	In view of the degree and pace of change necessary for the Group and its relatively small scale, the Board considers that the dual role continues to be appropriate in the Group. Refer to the Division of Responsibilities and Non-Executive Directors and Independence above on page 41 for further details on how this is managed. The Board will continue to keep these arrangements under review to ensure they operate satisfactorily.
20.	Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors.	Following outcome of General Meeting of 10 November 2020.	Mansour Al Alami, Rashed Al Jarwan, the late Saeed Mer Abdulla Khoory were appointed Non-Executive Directors following majority shareholder votes cast at the requisitioned General Meeting of 10 November. Hassan Heikal was similarly appointed on 25 November. Given extensive contacts already available, the scale of the Company, the need to minimise expense, the appointment of Jyrki Koskelo by the Board followed a search process though not through open advertising or an external search consultancy.
21.	There should be a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors.	2020 evaluation review	The 2019 evaluation was completed in 2020. Following the changes to the Board in November 2020, the new Board intends to undertake the next evaluation during 2021 to allow meaningful assessment of the new Board to be made.
24.	The Board should satisfy itself that at least one member has recent and relevant financial experience.	From 10 November 2020 to 4 February 2021	Transition period following the Board change and the procedure required for the appointment of Jyrki Koskelo, who has recent and relevant financial experience.

Annual General Meeting (AGM) in 2021

Notice of the 2021 Annual General Meeting will be issued to shareholders and posted on the Company's website.

Updates on General Meetings in 2020

In accordance with the Code, on the votes of 20% or more cast against the Board recommendation for the Resolutions at the General Meetings held during 2020 (set out in the table on page 43), a final summary is provided.

At the AGM held on 30 June 2020 and General Meetings held on 4 August, 27 October, 10 and 25 November 2020, the Resolutions in the table below received 20% or more votes cast against the Board recommendation.

Annual General Meeting on 30 June 2020	
Resolution 2	To approve the Remuneration Policy included in the Annual Report and Accounts for the financial year ended 31 December 2019
Resolution 3	To approve the Directors' Remuneration Report included in the Annual Report and Accounts for the financial year ended 31 December 2019
Resolution 7	To re-appoint Steve Kersley as a Director
Resolution 8	To re-appoint David Blewden as a Director
Resolution 9	To re-appoint Mike Turner as a Director
Resolution 12	To authorise the Directors to allot securities (s.551 of the Companies Act 2006)
Resolution 13	To approve the GMS Deferred Bonus plan 2019
Resolution 14	To approve the amendment of the LTIP
Resolution 15	To approve the Executive Chairman Share Award
Resolution 16	To disapply pre-emption rights (s.570 and s.573 of the Companies Act 2006)
Resolution 17	To disapply pre-emption rights (s.570 and s.573 of the Companies Act 2006) up to a further 5% for acquisitions or specified capital investments
Resolution 18	To authorise the Company to make market purchases of its own shares (s.701 of the Companies Act 2006)

Requisitioned General Meeting on 4 August 2020	
Resolution 1	That Hassan Heikal be appointed as a Director of the Company
Resolution 2	That Hesham Halbouny be appointed as a Director of the Company

General Meeting on 27 October 2020	
Resolution 1	To authorise the Directors to allot securities (s.551 of the Companies Act 2006)
Resolution 2	To disapply pre-emption rights (s.571 Companies Act 2006)

Requisitioned General Meeting on 10 November 2020	
Resolution 1	To appoint Rashed Saif Al Jarwan as a Director of the Company
Resolution 2	To appoint Mansour Al Alami as a Director of the Company
Resolution 3	To appoint Saeed Mer Abdulla Khoory as a Director of the Company
Resolution 4	To remove Mike Turner as a Director of the Company
Resolution 5	To remove David Blewden as a Director of the Company
Resolution 6	To remove Mo Bississo as a Director of the Company
Resolution 7	To remove Dr. Shona Grant as a Director of the Company

Requisitioned General Meeting on 25 November 2020	
Resolution 1	To appoint Hassan Heikal as a Director of the Company

The membership of the Board has changed in its entirety and currently comprises three Non-Executive Directors and the Executive Chairman. Following these Board changes, the Board's standing Committees, including the Remuneration Committee, have also been reconstituted. Further information is given in the Report of the Remuneration Committee on pages 51 to 69. There has been extensive input received from the majority of shareholders, particularly in view of the voting results relating to the Resolutions stated. The current Board remains committed to maintaining effective engagement with the Company's shareholders, seeking their input where appropriate and to do its upmost to protect the interests of all shareholders and other stakeholders of the Company.

The Company intends to continue to follow The Investment Association's share capital management guidelines for routine authorities common amongst listed companies. As reported elsewhere in this Report, the Company has renegotiated the lending facilities with its banks in line with input received from major shareholders. The Remuneration Committee has reviewed remuneration matters in the context of the feedback received from shareholders. Proposals to shareholders take these matters into account.

Mansour Al Alami
Chairman
21 May 2021

Dear Shareholders,

This is my first report as Chair of the Audit and Risk Committee (the Committee), having taken over from David Blewden who departed the Committee and the Board in November 2020 following a Requisitioned General Meeting called by one of our shareholders. I am pleased to set out in this report an update on the main activities of the Committee in 2020 and up to the date of this report.

Membership

Echoing the change in the Board during the year, we have had changes at the Committee level. As well as David Blewden, Dr Shona Grant and Mike Turner also departed the Committee after the same Requisitioned General Meeting. Saeed Abdulla Khoory joined the Committee on 11 November 2020, but sadly died in February 2021. Also, in February Jyrki Koskelo joined the Board and this Committee and brings with him wide knowledge and significant relevant financial experience. Both Committee members are Independent Non-Executive Directors. Our combined experience enables us to fulfil our duties appropriately. This composition is in compliance with the Corporate Governance Code which provides that the Committee should comprise solely Independent Non-Executive Directors. More information about the experience of the Committee members in the biographies can be found on pages 36 to 37.

As part of my transition into the Board and Committee, I have spent time with management reviewing the significant areas of judgement and internally reported information, reviewed previous Committee packs and minutes and have held discussions with the external auditor. I also visited the Head Office in Abu Dhabi in 2020 and 2021.

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 eight times during 2020 with an agenda linked to events in the Company's financial calendar and other important events 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 35 for the number of meetings of the Committee and individual attendance by Committee members.

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 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

Over the course of 2020, 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.

A) Financial reporting

Our principal responsibilities in this area enable us to provide advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Significant issues

The Committee pays specific attention to matters it considers important based on their potential impact on the Group's results, or based on the level of complexity, judgement or estimation involved in their application. The Committee considered the matters shown below as significant issues in 2020 and up to the date of the report. These include certain issues that are, or have the potential to be, material to the Group's results for the year and closing balance sheet position.

The Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures have been included in the 31 December 2020 consolidated financial statements.

The ultimate responsibility for reviewing and approving the Annual Reports and the half-yearly reports remains with the Board. The Committee gives due consideration to laws and regulations, the provisions of the Code, and the requirements of the Listing Rules and makes its recommendations on these reports to the Board.

Recurring items

Area of focus and issue	How addressed and conclusion
Going concern IAS 1 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed.	On 31 March 2021, the Group executed an amendment to its common terms agreement and related loan documentation to restructure the existing debt facilities, including greatly reducing the cost of borrowings, an extension to the requirement to raise a minimum of US$ 25 million of new equity (net) by 30 June 2021 and until the end of 2022 for new equity up to a total of US$ 75 million. This must be put to the Company's shareholders to approve. Seafox and Mazrui Investments LLC (Mazrui) are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Subject to obtaining shareholder approval and successfully raising US$ 25 million, GMS will no longer be required to issue warrants to its lenders or be charged PIK interest on the loan facilities. The first tranche of equity of US$ 25 million (net) must be raised by 30 June 2021. This represents a material uncertainty as if this is not completed, the Group will be in breach of its loan agreements. Based on progress to date, management expect that the equity raise will be successful. The application of the going concern basis for the preparation of the consolidated financial statements required careful judgement. Discussions were held with the external auditor regarding the level of disclosures on the material uncertainty arising from the need to obtain shareholder approval and the equity raise in respect of the Group's restructured banking facilities. All Board members have been kept informed of the progress of the equity raise and the Committee have reviewed the assumptions used to adopt the going concern basis. The Committee supports the view that notwithstanding this material uncertainty, there is good reason to believe that the US$ 25 million of equity will be raised by 30 June 2021. Accordingly, the going concern basis of accounting in preparing the consolidated financial statements has been adopted. The impact of COVID-19 and the oil price environment has been fully considered in making this judgement. Refer to Note 3 of the consolidated financial statements for the full disclosures.
Long term viability statement In accordance with Provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period to December 2022.	The period under review is through to June 2024, consistent with previous assessments. This period was selected with reference to the covenant testing dates, current backlog and business development pipeline, both of which offer limited visibility beyond this date, particularly in light of current macro-economic volatility. This period is also aligned with industry peers. The Group's forecasts have been stress tested against a worst case scenario where EBITDA is sufficiently reduced to breach covenants. While the current unprecedented situation regarding COVID-19 and its impact on oil price remain uncertain, the Directors believe the potential impact is considered in the scenarios above. The Committee noted the Material Uncertainty in relation to going concern as outlined above. The Committee concluded that the Group's existing relationships with key NOCs and IOCs in the MENA region, the appetite for oil and gas production in the near term and proven track record in the renewables space support the long term viability statement. Refer to page 32 for the statement.
Impairment of property, plant and equipment IAS 36 requires that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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. 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 assumptions and sensitivities used in the computation of the value in use of the vessels were assessed. Consideration was given to both the feasibility of the long-term business plan and the appropriateness of the weighted average cost of capital, which formed an initial basis for determining the discount rate. Discussions were held with the external auditor and the Committee evaluated the audit testing procedures that had been conducted. The Committee was satisfied with management's assumptions and agreed with the conclusion to impair the K-Class fleet (excluding Pepper) along with Endurance and Enterprise. Total impairment recognised is US$ 87.2 million. The paper provided to the Committee also included as assessment of previous impairments on Evolution and Endeavour. The assessment for 2020 indicates an immaterial headroom on these two vessels, therefore no reversal has been recognised in 2020. This is something that will be considered as and when the level of certainty increases. The Committee supported this view.

Current year items

Area of focus and issue	How addressed and conclusion
Accounting for the modification of debt	The Committee reviewed the paper and the available evidence at the time the judgement was made by the previous Board. The Committee supports the assertion that there was an error in judgement in relation to the relative likelihood of the equity raise versus the issuance of warrants and payment of PIK, and therefore that the accounting treatment of the June 2020 amended loan facility was incorrect. Total additional finance expenses of US$ 16.2 million is recognised as an exceptional item. The Committee noted this critical judgement and confirmed the appropriateness of this item and the disclosures.
Vessel relocation costs	The Committee reviewed the judgement in relation to certain costs to transfer vessels to geographical locations previously recorded as exceptional in the first half of 2020 and therefore included in the Adjusted EBITDA calculation. The new Board has concluded that these costs of approximately US$ 6.8 million are more appropriately treated as a normal cost of operations as the Group markets the fleet worldwide, therefore the strategic decision to relocate a vessel could recur if a profitable opportunity presented itself. The Committee considered and confirmed the appropriateness of the judgement and were comfortable with the charges, as recorded.
Adjustments to EBITDA Management are proposing to recognise the following items as an adjustment to statutory totals: (1) Remaining costs associated with the restructuring of the business (2) Legal fees covering Seafox defence costs and those relating to settlement agreements for Tim Summers and Steve Kersley (3) Write off costs associated with prior work on equity raises These items are recorded within the consolidated statement of profit or loss and are treated as an adjusting item to EBITDA. Refer to Note 31 of the consolidated financial statements for more details.	In addition to the bank deal costs above, the Committee was provided with a paper from management summarising the nature of the restructuring costs and why they are considered to be non-routine. The legal fees incurred were in relation to the Seafox potential offer and the resignations of Tim Summers and Steve Kersley. The activism demonstrated by certain shareholders during 2020 led to the appointment of the current Board and overhaul of the senior management team. As part of this activism, the positions of Tim Summers and Steve Kersley ultimately became untenable. This is considered non-routine as the Board believes the current leadership team is stable and no further changes are anticipated. As the work on preparation for previous equity raises was ultimately unsuccessful, these have been written off. Raising equity is not an underlying performance matter, so these are considered exceptional. The Committee supports the presentation of the amounts of US$ 5.6 million in the consolidated financial statements.
Corporate Code compliance The UK Corporate Governance Code (the Code) was updated in July 2018 and requires changes in practices and additional disclosures.	The Committee has monitored progress against identified changes to be implemented as a result of the new Board appointed in November 2020 (refer to the Introduction on page 34 for further details). The Committee is satisfied that the comply or explain requirements of the Code have been met within this Annual Report.

B) Internal control and risk management

The Group's systems of internal control and in particular our risk management process have been designed to support our strategic and business objectives, as well as our internal control over financial reporting. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board carried out an assessment of the principal and emerging risks facing the Company (see pages 20 to 25). The Committee assists the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the control environment and risk identification and management through regular reviews of the risk heatmap and associated controls. Following the Committee's review and recommendation, the Board agreed that GMS' system of operational internal control (including risk management) for day to day operations continues to be effective.

The Committee has also been delegated the responsibility for reviewing the effectiveness of the Company's financial controls and the financial reporting process, which is principally assessed in relation to the timely identification and resolution of areas of accounting judgement, and the quality and timeliness of papers analysing those judgements. The Committee has reviewed the control deficiencies identified during the year end external audit and the areas of improvement needed to enhance controls in the following key areas: documentation of judgements, accounting for debt, controls over revenue recognition and controls relating to impairment including review controls and the calculation of the discount rate used for impairment assessments. The Committee concluded that in 2020 certain controls in these and other areas were not effective. With a newly appointed Chief Financial Officer in place, the Committee will ensure there will be a review of internal controls to identify areas of improvement in 2021. The Group may consider use of a valuation specialist to support the discount rate calculation and to support the complex judgements and calculations associated with accounting for the Group's debt.

C) Internal audit

In early 2020, KPMG reported on their final internal audit on the Group Finance Procedures Manual. After this, the function was put out to tender and Ernst & Young selected as the new service provider. The previous Committee were satisfied with the quality, experience and expertise of Ernst & Young via the tender process.

The new scope is a focus on internal controls over financial reporting and the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations (including Listing Rules). The scope also includes a review of existing IT controls and procedures. The combination of the impact of COVID-19, restructuring of the business, renegotiation of banking requirements and shareholder activity and associated governance changes meant that the level of internal audit activity in 2020 was lower than would otherwise be expected while this significant level of change was navigated. During Q3 2020, the internal auditors performed a rapid assessment of the internal control environment to review the key controls in place in order to identify any gaps between current state and leading practices, including international standards such the COSO framework. The findings were presented to the Committee in December 2020 with a timeframe for implementation with the most significant finding relating to finalising the update of the Group Finance Procedures Manual. Management are in the process of addressing these findings and implementing them. The audit cycle for 2021 is being finalised.

In addition to the internal audit function, the Group is regularly audited by certain clients and industry bodies, with any significant findings reported to the Committee who assess these findings and ensure that appropriate action is taken by management as deemed necessary. During the year there were no significant findings to report to the Committee.

D) External audit

Appointment and independence

Appointment and independence
The Committee considers formally the re-appointment of the external auditor each year, as well as assessing their independence on an ongoing basis. Deloitte LLP (Deloitte) have been appointed as external auditor since 2014 and the audit has not been put out to tender since that date. 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.

In accordance with UK regulations and to help ensure independence, our external auditor adheres to a rotation policy based on the FRC's Ethical standard that requires the Group audit partner to rotate every five years. As discussed in the 2017 Annual Report, the previous lead audit partner had completed his rotation cycle following the completion of the 2017 audit. Accordingly, the new Audit Partner Graham Hollis was introduced and has taken over the role since 2018.

Assessment of external audit process

The Committee has an established framework to assess the effectiveness of the external audit process. This includes but is not limited to:

- A review of the audit plan including the materiality level set by the external auditor and the process they have adopted to identify financial statement risks.
- A review of the Audit Quality Inspection (AQI) Report on our external auditor published by the Financial Reporting Council, with particular emphasis on those key messages applicable to the Company.
- A review of the final audit report, noting the procedures performed and challenges made by the external auditor of key areas of management judgement' and the reasoning behind the conclusions reached (summarised in the Independent Auditor's Report on pages 76 to 85).
- Consideration of the effectiveness of the working relationship and communication of issues through its regular meetings in the year and its presentations to the Committee.
- Discussions within Committee meetings with senior members of the finance team without the external auditor present, at least annually, in order to appraise the work of the external auditor.
- A review of the independence of the external auditor, including Deloitte LLP's own representation about its internal independence processes.

As part of the Committee's assessment of the objectivity and independence of the external auditor, the Committee met privately with the external auditor without management being present to allow the Committee to ask questions on matters which may not have been specifically addressed in the audit.

Due to the extended timetable of the 2020 audit, the Committee has not considered the efficiency of the services provided by Deloitte. This will be completed shortly after the results for 2020 are announced. A resolution to re-appoint Deloitte as the Company's Auditor will be put to shareholders at the forthcoming AGM.

Provision of non-audit services

To ensure the continued objectivity and independence of the external auditor are not compromised, the Committee requires specific approval for the provision of any non-audit services above the value of US$ 50,000 and, in the unlikely event that the non-audit services have resulted in a cumulative total of 70% or more of the overall Group audit fee in any financial year, then any further non-audit services carried out by the external auditor would be regarded as exceptional and will require the Committee's prior approval. The Committee receives quarterly reports of any non-audit services undertaken. The Committee must be satisfied that the external auditor's objectivity and independence would not be compromised in any way as a result of being instructed to carry out those services.

Total 2020 audit fees were US$ 879,000 (2019: US$ 451,000). The total non-audit services provided by the Group's external auditor Deloitte LLP for the year ended 31 December 2020 were US$ 146,000 (2019: US$ 320,000) which comprised 24% (2019: 46%) of total audit and non-audit fees. The non-audit fee was US$ 146,001 (2019: US$ 320,000) in relation to the interim review. The Committee is satisfied that the quantum and nature of the non-audit services provided by Deloitte during the current year are such that the objectivity and independence of the external auditor have been safeguarded. Further details of the remuneration paid to the Group's external auditor in respect of both audit and non-audit work is provided in Note 38 to the financial statements.

Audit and Risk Committee effectiveness review

As the current Audit and Risk Committee was appointed in November 2020, an effectiveness review was not performed during 2020.

Ethical conduct and compliance

Our Whistleblowing Policy encourages all employees to report any potential improprieties in relation to any aspect of the Group's activities. The Group operates a confidential, externally managed whistleblowing hotline and all reports received are communicated to this Committee. To date, no cases have been reported. The Committee is satisfied that arrangements are in place for the proportionate and independent investigation of possible improprieties and for appropriate follow-up action. Where appropriate, our internal audit team or other third-party specialist may be asked to investigate issues and report to us on the outcome. Code of Conduct training is included as part of the Company induction process for all new employees who join the Group.

The Group has in place a comprehensive set of anti-corruption and bribery policies and is satisfied that appropriate policies and training are in place to ensure compliance with applicable law and to uphold the Group's high standards of ethical business behaviour.

Rashed Al Jarwan
Audit and Risk Committee Chairman
21 May 2021

NOMINATION COMMITTEE REPORT

Dear Shareholders,

I am pleased to present the report of the Nomination Committee, which details the work completed over the course of the year. The Committee's then members met in March 2020. Prior to my appointment to the Board, the Committee's then members also met informally to review and discuss the appointment of some of the current Board members, also meeting separately with the candidates.

The primary role of the Committee is to promote effective succession planning for the Board and Senior Management, and 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 two Independent Non-Executive Directors, Rashed Al Jarwan and Jyrki Koskelo, and myself (Mansour Al Alami) as Chairman of the Committee. The Nomination Committee, previously chaired by the former Executive Chairman Tim Summers, at that time comprised three Independent Non-Executive Directors, Shona Grant, Mike Turner and David Blewden, and one Non-Independent Non-Executive Director, Mo Bississo.

This composition is in compliance with the Corporate Governance 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 changes

During 2020, the Committee oversaw significant changes to the Board, with the replacement of the Chairman, and of all Non-Executive Directors.

Steve Kersley (Chief Financial Officer) was not re-elected as a Director of the Board at the 2020 Annual General Meeting. In November 2020, Mike Turner (former Senior Independent Non-Executive Chairman), David Blewden (former Independent Non-Executive Director), Shona Grant (former Independent Non-Executive Director) and Mo Bississo (former Non-Executive Director) ceased to be Directors of the Board. In addition, the former Executive Chairman, Tim Summers, resigned from the Board.

Also in November 2020, Rashed Al Jarwan, Saeed Mer Abdulla Khoory, Hassan Heikal and I were appointed to the Board as Non-Executive Directors and, on his appointment, Rashed Al Jarwan also took on the additional role of Senior Independent Director.

I agreed to take on the role of Executive Chairman also in November 2020. We were deeply saddened to learn that Saeed Mer Abdulla Khoory died in February.

Hassan Heikal became Deputy Chairman in February. The Board welcomed Jyrki Koskelo to the Board as an Independent Non-Executive Director in February 2021. Jyrki Koskelo's appointment followed a search process including interview by members of the Board. Neither open advertising nor an external search consultancy were utilised given the extensive contacts already available, the scale of the Company and the need to minimise expense. We are also expecting to welcome at least one additional independent Non-Executive Director in the near future.

Jyrki's appointment referred to above benefits the effectiveness of the Board greatly as he brings a wealth of skills, knowledge and experience, which together enable the Board to provide effective leadership to the Company. Further details of the Directors are included in their biographies on pages 36 to 37. The recruitment of a Chief Executive Officer is not being progressed further, recognising the degree and pace of change necessary for the Group and its relatively small scale. There is need to retain focus on the Company's short to long-term strategic development. Since year end, the Board has appointed one additional Independent Non-Executive Director to ensure an appropriate balance on the Board.

Workforce engagement

The current Committee discussed and considered the requirements of the 2018 UK Corporate Governance Code in relation to proposals for workforce engagement. After taking into account the size and structure of the Company, the Committee and the Board agreed that the most effective way of ensuring engagement with the workforce continued to be to entrust responsibility for workforce engagement to an Independent Non-Executive Director. Rashed Al Jarwan, as the Senior Independent Non-Executive Director, was thus appointed to this role in May 2021. As the first step towards defining this role, a Town Hall style meeting for onshore staff is to be held later in 2021 and a follow up engagement survey is planned for the end of the year.

Formerly, Dr Shona Grant as an Independent Non-Executive Director was designated to engage with the workforce by the then Board and Committee until November 2020. In view of the challenges of the COVID-19 pandemic, the focus during 2020 was primarily on ensuring adequate measures were in place for keeping the workforce safe. Further comment on this area is included on page 6.

Board and Committee evaluation

In March 2020, the then members of the Committee concluded an evaluation of the Board, its Committees and individual Directors. The evaluation conducted reviewed composition as well as balance of skills, knowledge and experience. Following the changes to the Board in November 2020, the new Board intends to conduct a review of its performance during 2021. The Board concluded that in the short term, it should continue to focus on the turnaround of the Group's business whilst planning for the future strategy and management of the Group in the longer term.

Chairman review

The performance of the Chairman is to be evaluated by the other Non-Executive Directors during 2021. The evaluation will be led by the Senior Independent Director.

Re-election of Directors

The Board has concluded that the performance of each of the Directors standing for re-election continues to be effective and that these Directors demonstrate commitment to their roles, including commitment of time for Board and Committee meetings and any other duties. The biographical details of Directors can be found on pages 36 to 37. All of the Company's Directors will stand for re-election at the 2021 Annual General Meeting. 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 Annual General Meeting 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. The changes in the Board's membership by the Company's shareholders in November 2020 has led to the position where there is currently no female representation on the Board. However, the new Board aspires to diversify further through the appointment of an additional Director as part of its succession planning process. The Board continues to be diverse in terms of nationalities 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 4 to 8 provides further information on the Group's workforce.

Succession planning

The Committee has reviewed succession planning for Senior Management across the Group to enable, encourage and facilitate the development of individuals, including internal career progression opportunities as they arise. 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 Company. The other members of the Nomination Committee and Board have requested that I continue in the Executive Chairman position during the current period of development of the Group.

Selection process for key Board appointments

Candidate specification
A specification for candidates is 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 is identified from a diverse range of backgrounds.

Interviews and selection
The Nomination Committee selects a shortlist of candidates for interview.

Recommendations and confirmation of appointment
The Nomination Committee considers and discusses the shortlisted candidates and recommends the preferred candidates to the Board. Candidates meet with other Directors on the Board as appropriate prior to Board approval for the appointment to be made.

Mansour Al Alami
Nomination Committee Chairman
21 May 2021

REMUNERATION COMMITTEE REPORT

Dear Shareholders,

This is my first report to shareholders since I joined the Board as an independent non-executive Director three months ago at the beginning of February 2021. Part of my reason for joining the Board was to help move the Company forward from the events of last year. I see resetting remuneration at an appropriate level within an appropriate structure to be a key part of this, and have welcomed the support of the Remuneration Committee (the "Committee") and indeed the Board in this. In this report, we have set out key events of last year, before the current Committee members were appointed, along with the rationale for actions since taken, and planned to be taken. As shareholders will appreciate, until the planned capital raise has been completed, we cannot finalise the operation of the Long Term Incentive Plan (LTIP) this year. We will therefore be consulting with shareholders on its operation after the capital raise has been completed.

(a) Remuneration at last year's Annual General Meeting

At the Company's Annual General Meeting in June 2020, 59% of the votes cast on both the Remuneration Report and Remuneration Policy proposed in the Report were against the resolutions, with only 41% in favour. Whilst this vote predates the appointment of any of the current Directors, it provides the starting point for our work in bringing a new Remuneration Policy as part of the Remuneration Report for approval by shareholders this year in line with the UK legal requirements.

The main reasons for the rejection of the Remuneration Report and Remuneration Policy proposed last year included:

I. Remuneration was considered excessive in the context of the scale and operations of the Company.
II. Some of the structures of that remuneration were considered unnecessarily complex.
III. Neither the remuneration nor its structures reflected prudently and fully either the generation of shareholder value or the overall performance of the business.

The newly constituted Committee fully recognises the need for remuneration to be set at appropriate levels within structures to clearly and demonstrably reflect Group performance and be aligned with shareholders' interests. Our review of the compensation and reward structures in GMS is guided by these requirements.

We have also taken account of shareholder feedback on subsequent events in 2020.

(b) Subsequent events in 2020

Following the clear expression of shareholder discontent at last year's AGM on remuneration related and other matters more fully commented upon in the Chairman's introduction on page 34, shareholders subsequently voted by a majority of over 56% for removal of all the then Non-Executive Directors of the Company in November last year. At the same time, Tim Summers, the then Executive Chairman, resigned from the Board.

Prior to those votes becoming effective, the then Remuneration Committee and Board agreed binding termination arrangements with Tim Summers and the then CFO and former Director of the Company, Steve Kersley. These termination arrangements are summarised on page 64.

(c) Input from shareholders

As part of our process in reviewing remuneration in the Company to date, we have taken account of the input received around the time of last year's AGM and subsequently.

As a result,

- We have simplified the remuneration structure by removing the previous proposals for bespoke share awards and bonuses for the previous Executive Chairman and previous CFO respectively.
- We have reduced remuneration levels to be in scale with the Company and its operations.
- We are working on the overall remuneration structure which will better reflect interests of shareholders and strategic objectives of the Company, a process that is not yet fully complete.

In particular, we will be consulting with shareholders on the operation of the LTIP for this year following the AGM and completion of the planned equity raise. This is to ensure that as many views as possible can be taken into account in its implementation. Our aim is to build a consensus and avoid the substantial dissent of shareholders and a repeat of a negative vote from shareholders. We will conduct this consultation after the capital raise to ensure that remains the focus in the meantime and to allow new investors as well as existing shareholders to participate.

(d) Updates to Remuneration in 2020 and 2021

Shortly after the Board changes in November 2020, Mansour Al Alami was appointed as Executive Chairman. Taking into account the input that had then been received from shareholders, the Remuneration Committee determined remuneration that was both at more appropriate lower level and structured more simply than the Remuneration of his predecessor.

This included a salary of AED 1,536,000 pa compared to the total salary of AED 2,376,708 for his predecessor. In accordance with Company policy which provides that employees are normally eligible for an annual bonus only if employed before 1 October of the relevant year, Mansour Al Alami will not receive any bonus for 2020 given that he joined the Company after this date.

The annual bonus potential for 2021 remains 120% of salary for maximum performance above target, and the Committee is not proposing to utilise the full capacity of up to 150% of salary available for exceptional circumstances under the policy.

This year, no bonus at all will be payable unless the US$ 25 million (net) equity raise has been completed as planned. If it has been completed, then bonus payable would be simplified as follows:-
40% weighting on the Equity Raise
40% weighting on EBITDA
10% weighting on EBITDA margin
10% weighting on securing contracts for 2022 Revenues

We will be consulting with shareholders on the operation of the LTIP this year following completion of the planned equity raise.

(e) Updates to the Directors' Remuneration Policy this year

Due to the votes against the Remuneration Report at the 2019 and 2020 Annual General Meetings, we are required to put the Directors' Remuneration Policy to a vote again at the 2021 Annual General Meeting. Reflecting input from shareholders and good practice more generally, the following updates are proposed to the Directors' Remuneration Policy currently in place:

(1) Inclusion of discretion to override formulaic outcomes and to make adjustments to incentive arrangements where performance outcomes are not consistent with overall Company performance or where windfall gains have been received;

(2) Introduction of a mandatory two-year deferral into share awards of any annual bonus (for 2020 and subsequent years) in excess of 100% of base salary (and such additional amounts as the Committee may determine), subject to approval of a new deferred bonus plan to be proposed to shareholders at the forthcoming AGM;

(3) Extension of malus and clawback provisions to LTIP grants made in and to be made after November 2019 to include serious misconduct, reputational harm and corporate failure, in addition to any material misstatement of the Group's financial results or an error in the calculation of performance targets. Similar malus and clawback provisions will apply to awards made under the new deferred bonus plan;

(4) Reduction of the LTIP threshold vesting from 30% to 25%;

(5) Introduction of a two-year post-vesting holding period for LTIP awards granted in 2019 and going forward (vesting will continue to take place only after completion of the three year performance period subject to the Rules of the LTIP);

(6) Increase in share ownership requirements for all Executive Directors to 200% of base salary over time to better align them with shareholder experience; and

(7) Introduction of a post cessation shareholding policy requiring Executive Directors ceasing in their role 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).

(f) LTIP share awards

The Company's LTIP currently restricts total dilutive share awards granted under the LTIP and any other executive share plans in any ten-year period (excluding any that have lapsed) to 5% of the Company's issued share capital (calculated at the time of grant). In the context of the current share price, averaged over 10 years, this would give the Committee capacity to grant annual share awards with a total face value of less than £120,000 based on the share price at the date of this report. As we seek to drive the business forward, this is insufficient to motivate, incentivise and retain key people in the Group.

We are accordingly proposing an increase in the 'ten-year' limit under the LTIP to 10% of the Company's issued share capital (calculated at the time of grant). This would cover all share awards to be satisfied by the issue of new shares within the Company over any ten-year period for any other executive share plan. This is in line with the Investment Association's maximum limit for share plans.

In addition, the LTIP rules do not currently allow grant of share awards to the Executive Chairman. We are accordingly proposing that the rules be amended to allow this, being an executive position which the Board has determined to be appropriate to lead the management of the Company.

Proposals for amendment to the LTIP rules to effect these changes will be brought to the forthcoming AGM.

Conclusion

I hope that shareholders will support the proposals at the AGM, given the reductions, simplification and plans for better alignment with shareholders. Following this letter is the proposed Remuneration Policy followed by the Annual Report on Remuneration, both of which are to be voted on at the forthcoming AGM. I am available to discuss matters if any shareholder or proxy advisor has any questions and I am contactable through the Company Secretary.

Jyrki Koskelo
Remuneration Committee Chairman
21 May 2021

DIRECTORS' REMUNERATION POLICY REPORT

This part of the report 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 information provided in this part of the Directors' Remuneration Report is not subject to audit. The policy has been developed taking into account the principles of the UK Corporate Governance Code, the guidelines published by institutional advisory bodies and the views of our major shareholders. The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Accounting Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report. The statement by the Chair of the Remuneration Committee and the policy report are not subject to audit. Normally, the Company is only required to prepare and seek shareholder approval for an updated Directors' Remuneration Policy at least once every three years. It is, though, doing so this year because of the rejection of the remuneration report at last year's Annual General Meeting. The Directors' Remuneration Policy will be put to a shareholder vote at the Company's Annual General Meeting and is detailed below. A copy of our existing Remuneration Policy (approved by shareholders at the 2018 AGM) can be found in the Company's Annual Report and Accounts for the financial year ended 31 December 2017, a copy of which is available on the Company's web site.

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 UAE market practice, whilst providing an appropriate balance between fixed and variable pay that supports the delivery of the Group's strategy.

In its development of the new policy, the Committee took account of the six factors set out in the UK Corporate Governance Code summarised below:

- **Clarity**
  - The proposed Policy seeks to be transparent to shareholders and clear for Directors.
- **Simplicity**
  - The proposed 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.
- **Risk**
  - The proposed policy seeks to balance opportunity with risk in relation to the specific circumstances of the Group.
- **Predictability**
  - The proposed policy seeks to quantify potential outcomes from achievement of both shorter and longer-term objectives as well as quantifying fixed remuneration.
- **Proportionality**
  - The proposed 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.
- **Alignment to culture**
  - The proposed 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.

The Committee was able to consider corporate performance on 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.

The following table sets out the Directors' Remuneration Policy. This policy will take effect from the date of approval until a new policy approve by shareholders takes effect.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
No changes are proposed to the current approved policy				
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 services	• 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 GCC – Remuneration levels in the international market – Increases for the workforce generally – Changes to an individual's role, including any additional responsibilities	• N/A
Changes are proposed to the current approved policy to maintain overall cap though provide additional flexibility by increasing the normal maximum from 100% of salary to 120% of salary; to confirm that financial and non-financial or strategic targets not linked to a set of annual results can straddle two financial years; and to allow deferral under the Deferred Bonus Plan				
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 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 reducing the threshold vesting level from 30% to 25% and the introduction of the two year holding period				
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 earnings per share (EPS), and/or a measure linked to the Company's total shareholder return (TSR) against an appropriate group of peers. Measures are captured independently • 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
No changes are proposed to the current approved policy				
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
No changes are proposed to the current approved policy				
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				
Allowances	• Allowances set to cover living and travel costs where the director serves outside their home country and is in line with local market practice	• 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	
Changes are proposed to the current approved policy to increase the level to be held and introduce a post cessation policy				
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 significant 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 substantial out-performance of challenging strategic plans approved at the start of each year.

From 2020, the LTIP performance measures are relative total shareholder return (TSR) in relation to (a) a peer group of comparable companies selected by the Remuneration Committee at the time of grant of LTIP awards (for half of each award) and (b) the FTSE Small Cap excluding financial services (for the other half of each award) with threshold achievement at median performance and full achievement at upper quartile performance. These measures have been selected as they directly relate to the generation of shareholder value. Flexibility is reserved to change these measures in future years within the terms of the Policy Table above.

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 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.

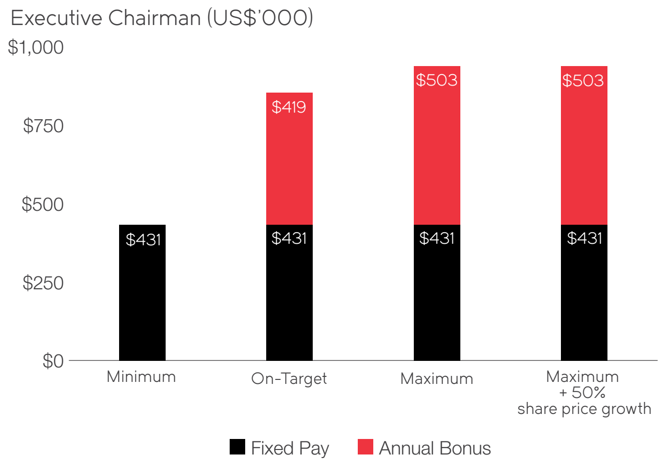
Payments under previous policies

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 2021 at different levels of performance. The chart highlights that the performance-related elements of the package comprise a significant 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 for the entire first year of the policy.



1 Mansour Al Alami's contractual entitlement is expressed in UAE Dirhams and is shown above in US$ using an exchange rate of US$ 1/AED 3.655. 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 annual bonus. At on-target, 100% of the annual bonus is earned; and at maximum, 120% of the base uplift salary.

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 Executive Directors Policy 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 performance and is mostly in the form of salary and benefits.

The Committee does not formally consult with employees in respect of the design of the Directors' Remuneration Policy.

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. Further details of shareholder engagement are set out in the Chairman's letter on page 51.

Following the Company's AGM in 2021, details of votes cast for and against the resolutions to approve the Directors' Remuneration Policy and Annual Report on Remuneration will be included in the next Annual Report on Remuneration published following the AGM.

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 above, 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 remuneration 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 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 3 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 3 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 £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-election), which are terminable by three months' notice by the Director or the Company. In relation to a Chairman, 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:

Saeed Mer Abdulla Khoory[6]	Independent Non-Executive Director	10 November 2020
Rashed Saif Al Jarwan	Independent Non-Executive Director	10 November 2020
Hassan Heikal	Non-Executive Director and Deputy Chairman	25 November 2020
Jyrki Koskelo	Independent Non-Executive Director	5 February 2021
Mo Bississo[1]	Non-Executive Director	1 March 2019
David Blewden[2]	Independent Non-Executive Director	1 June 2019
Dr Shona Grant[5]	Independent Non-Executive Director	19 October 2018
Tim Summers[3]	Non-Executive Chairman	1 April 2019
Mike Turner[4]	Independent Non-Executive Director	1 June 2019

1 Mo Bississo was removed from the Board by shareholder resolution in November 2020.
2 David Blewden was removed from the Board by shareholder resolution in November 2020.
3 Tim Summers became Executive Chairman in August 2019 and resigned from the Board in November 2020.
4 Mike Turner was removed from the Board by shareholder resolution in November 2020.
5 Dr Shona Grant was removed from the Board by shareholder resolution in November 2020.
6 Saeed Mer Abdulla Khoory was appointed as a Non-Executive Director in November 2020 until his death in February 2021.

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 remuneration policy in force at that time.

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 2021 AGM. Sections of this report that are subject to audit have been indicated.

Shareholder voting at AGM

The 2020 Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2021 AGM. Votes cast by proxy and at the 2020 AGM in respect of the Directors' Remuneration Report and at the 2020 AGM in respect of the Directors Remuneration Policy were as follows:

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 2019	122,214,266	41.10%	175,176,619	58.90%	18,381	297,390,885
To approve the Directors' Remuneration Policy	122,214,266	41.10%	175,176,619	58.90%	18,381	297,390,885

The Directors' Remuneration Report received a 58.90% vote against at our 2020 AGM, primarily due to a majority of the Company's shareholders voting at the meeting disagreeing with the strategy being pursued by the then Directors.

External advice received

In carrying out their responsibilities, the Committee seeks external advice as necessary. In 2020, given the 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 2020 (audited)

The table below summarises Directors' remuneration in respect of 2020.

		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[8]	**2020**	**44**	**–**	**–**	**44**	**–**	**–**	**–**	**–**	**44**
	2019	–	–	–	–	–	–	–	–	–
Executive Chairman Tim Summers[6]	**2020**	**457**	**166**	**47**	**670**	**267**	**–**	**–**	**267**	**937**
	2019	143	69	–	**212**	163	–	–	–	375
Executive Director Steve Kersley[5]	**2020**	**404**	**176**	**33**	**613**	**255**	**–**	**–**	**255**	**868**
	2019	202	57	–	**259**	104	–	–	–	–
Executive Director Duncan Anderson7	**2020**	**244**	**20**	**57**	**322**	**–**	**–**	**–**	**–**	**322**
	2019	416	142	35	593	–	–	–	–	593

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, 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 55 for more information. Pension provision is not a feature of Executive Director remuneration packages. Under the existing policy of the Company US$ 35,000 at the time was paid to Duncan Anderson in January 2019 on account of the end of service gratuity.
3 Annual Bonus for the financial year. As explained on page 62, these amounts were assessed and paid upon the resignation of Tim Summers and Steve Kersley. No further bonus payments are due.
4 Share plans vesting represent the value of LTIP awards where the performance period ends in the year. There were no LTIPs granted in 2017, hence no award vesting in 2020.
5 Steve Kersley was appointed as a Chief Financial Officer effective 9 June 2019. He was removed from the Board on 30 June 2020 and resigned from his role on 10 November 2020. The remuneration was paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.
6 Tim Summers became Executive Chairman effective 21 August 2019 and resigned from his role on 10 November 2020. His base pay is split for two roles – Executive Director and Chairman. Only the Executive Director portion is shown in the table above. The remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.
7 Duncan Anderson stepped down from the role of CEO and as a Board Director on 21 August 2019 and left the Company in August 2020 after completing 12 months of gardening leave. The remuneration was paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.
8 Mansour Al Alami was appointed Executive Chairman effective 23 November 2020. The remuneration was paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.

Performance against annual bonus targets for 2020 (audited)

The annual bonus structure was completely redesigned during 2019 so that employees and Executive Directors were working towards the same transparent targets. The annual bonus opportunity remains set at 120% of base salary. In June 2020, lenders requested an amended scorecard to apply to the Executive Directors. These revised targets are more difficult to achieve than the previous targets and were requested by the lenders as part of their review of the business in the run up to completing amended bank deal announced in June 2020.

In the case of Tim Summers and Steve Kersley, the annual bonus assessment was done in November 2020 at the time of resignation by the then Remuneration Committee, against 2020 full year targets. This resulted in a pay-out of 74.4% calculated as follows:

Measure	Weighting	Performance range (from zero to full pay-out)	Result	% of base salary payable
EBITDA	40%	US$ 40.7m – US$ 48.9m	US$ 45.2m	44.4%
Securing contract % of 2021 budget revenue	15%	75% – 90%	90.13%	18%
Securing contract % of 2022 budget revenue	5%	50% – 60%	27.66%	0%
Cash generation (unlevered)	30%	US$ 27m – US$ 28m	US$ 20.4m	0%
EBITDA margin	10%	50.3% – 52.5%	59%	12%
Total	**100%**			74.4%

	EBITDA*	Threshold	On Target	Maximum
1	**Value**	<US$ 40.7m	US$ 40.7m	US$ 48.87m
	Score	0	40%	48%

	Securing contracts % of 2021 budget revenue*	Threshold	On Target	Maximum
2	**Percent**	75%	75%-90%	90%
	Score	0	15%	18%

	Securing contracts % of 2022 budget revenue*	Threshold	On Target	Maximum
3	**Percent**	<50%	50%	60%
	Score	0	5%	6%

	Cash generation*	Threshold	On Target	Maximum
4	**Value**	<US$ 27m	US$ 27m	US$ 28.05m
	Score	0	30%	36%

	EBITDA Margin*	Threshold	On Target	Maximum
5	**Percent**	<50.3%	50.3%	52.5%
	Score	0	10%	12%

* Zero to full pay-out is not linear as bands operate within the performance ranges shown. Up to an additional 20% of salary could be earned for out-performance (the final band in the ranges shown above).

As Mansour Al Alami joined after 1 October, he will not receive any annual bonus for 2020 in line with Company policy.

LTIP awards vesting for 2020 (audited)

No LTIP awards were granted in 2017. LTIP awards were granted to Duncan Anderson on 16 April 2018 over 1,156,067 ordinary shares. No awards vested in the year on the LTIP granted on 16 April 2018 as the performance conditions were not achieved during the period. The LTIP was assessed against the following financial objectives:

Measure	Weighting	Performance range (from zero to maximum pay-out)	Result	% of award vesting	Number of shares vesting
EPS growth[1]	50%	6.2%-9.7% per annum	Less than 6.2%	0%	0
TSR[2]	50%	Median of index – Upper Quartile	Less than Median	0%	0
Total	**100%**			**0%**	**0**

1 EPS Compound Annual Growth Rate (CAGR) is measured against a baseline for EPS at 31 December 2014.
2 TSR compared to the FTSE 250 Index, excluding financial services companies.

Long term incentive awards granted during the year and Directors' interests in share plan awards (audited)

The Committee granted an LTIP award to Steve Kersley on 15 November 2019 over shares with a value of 150% of base salary. A second award was made on 29 May 2020 under the same parameters. A summary of the LTIP awards currently granted is provided in the tables below. The LTIP awards granted do not include payments in respect of accrued dividends during the performance period.

	Date of grant	Number of shares	Face value	Face value as a percentage of base salary	End of vesting period	Performance conditions
Steve Kersley[1]	15 November 2019	1,025,333	US$ 114,550	150%	10 May 2021	See table below
Steve Kersley[1]	29 May 2020	1,025,333	US$ 122,582	150%	10 May 2021	See table below

1 Award was based on a fixed number of shares and assumes all performance conditions are met in full. The minimum award available is nil.

The table below shows the performance conditions of the outstanding LTIP awards.

Performance condition	Weighting	Threshold target (30% vesting)	Stretch target (100% vesting)
Steve Kersley (15 November 2019 – 10 May 2021)			
Relative TSR compared to a group of peer companies	50%	Median of index	Upper quartile of index
Relative TSR compared to FTSE 250 Index, excluding financial services companies	50%	Median of index	Upper quartile of index
Steve Kersley (29 May 2020 – 10 May 2021)			
Relative TSR compared to a group of peer companies	50%	Median of index	Upper quartile of index
Relative TSR compared to FTSE SmallCap Index, excluding financial services companies	50%	Median of index	Upper quartile of index

Clawback provisions apply in the event of a material misstatement of the Group'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.

Awards outstanding under the Company's LTIP as at 31 December 2020 comprise:

	Grant date	No. of shares 01/01/19	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	No. of shares 31/12/19	End of performance period	Vesting date
15 November 2019	15 November 2019	–	1,025,333	–	–	–	1,025,333	14/11/22	10/05/2021
29 May 2020	29 May 2020	–	1,025,333	-	-	–	1,025,333	28/05/23	10/05/2021
Total awards outstanding							2,050,666		

Mr. Kersley's outstanding Long Term Incentive Plan awards vested on 10 May, being the date Mr. Kersley left employment (10 May 2021). None of the performance conditions were satisfied except for a small proportion of the 2019 share awards compared to the industry peer group. The Remuneration Committee exercised its discretion to reduce this vesting to zero in light of the financial performance of the Company.

Executive Directors

Base salary

In 2020 the Company undertook a fundamental governance and management overhaul. Tim Summers, formerly Non-Executive Chairman, took over the interim role of Executive Chairman from 21 August 2019 until his resignation on 10 November 2020. Steve Kersley was appointed as a Chief Financial Officer of GMS, effective 9 June 2019. The appointment also saw Mr Kersley join the Board of Directors until 30 June 2020 when he was removed. On 10 November 2020 Mr Kersley resigned from his position as Chief Financial Officer. Base salaries for both remained at 2019 levels.

Mansour Al Alami joined the Company as Chairman on 10 November 2020 and became Executive Chairman on 23 November 2020. From this date he ceased to receive a salary for his Chairman role.

End of service gratuity

As required under UAE Labour Law, the Company accrues for the end of service gratuity entitlement in respect of the CEO. 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.

Payments to past Directors (audited)

Steve Kersley was removed from the Board at the AGM on 30 June 2020 but continued in his role as Chief Financial Officer until his resignation on 10 November 2020. He was placed on gardening leave from 1 January 2021 for the remaining period up to 10 May 2021. On 10 November 2020, a payment of US$ 424,565 was made as follows:

	In US$ '000
Salary and benefits (flights, food, transportation) until 31 December 2020	64
End of service gratuity until 31 December 2020	33
Salary until 28 February 2021	60
Annual Bonus (see above)	255
Relocation of personal effects	13
Total	**425**

Private medical insurance benefit will continue for the duration of his employment at a cost of US$ 6,000 and a payment in respect of any accrued but untaken leave as at the end of Mr. Kersley's employment. On 10 May 2021 Mr Kersley's employment ended and a payment for the period from 1 March 2021 to 10 May 2021 of US$ 48,242 is due to be settled in May's payroll.

Payments for loss of office (audited)

Duncan Anderson resigned from the Board on 21 August 2019 and was placed on gardening leave for the following 12 months. During this period, he continued to receive his contractual benefits on a monthly basis. This included the continued provision of his private medical insurance, on the same terms for the remainder of the contractual notice period. All these payments are made in accordance with the existing termination policy. At the end of his garden leave period (10 August 2020), Duncan Anderson's employment terminated, and the Company paid the remaining end of service gratuity in accordance with UAE Labour Law.

Duncan Anderson received no annual bonus in respect of 2019, reflecting his contribution.

Payments over 12 months (21 August 2019 to 20 August 2020)	In US$ '000
Salary	416
Benefits (accommodation)	85
Benefits (flights, food, transportation)	31
Medical insurance	25
End of service gratuity (earned but not paid until cessation of employment)	24
Total	**582**

Tim Summers resigned from the Board and his role as Executive Chairman on 10 November 2020 and after a transition period was placed on gardening leave for the remaining period up to six months. On 10 November, a payment of US$ 563,083 was made as follows:

	In US$ '000
Salary until 31 December 2020	108
Benefits (flights, food, transportation) until 31 December 2020	–
End of service gratuity until 31 December 2020	47
Salary until 28 February 2021	108
Annual Bonus (see above)	267
Relocation of personal effects	33
Total	**563**

18 February 2021 a payment of US$ 173,158 was made as follows:

	In US$ '000
Salary from 1 March to 10 May 2021	125
Unpaid leave	34
End of service gratuity from 1 January to 10 May 2021	14
Total	**173**

Private medical insurance benefit will continue for the duration of his employment at a cost of US$ 4,000.

Statement of implementation of Directors' Remuneration Policy in 2021

Base salary in 2021

	Base salary from 1 January 2021 US$'000	Base salary from 1 January 2020 US$'000	% change
Steve Kersley[1]	–	361	0%
Tim Summers[2]	–	399	0%
Mansour Al Alami[3]	419	–	0%

1 Steve Kersley was removed from the Board effective 30 June 2020 and resigned as Chief Financial Officer on 10 November 2020. His pay has been pro-rated to full year to aid compatibility. The remuneration was paid in UAE Dirhams. The exchange rate as of 31 December 2020 was US$ 1/AED 3.655.

2 Tim Summers was Executive Chairman effective 21 August 2019 until his resignation on 10 November 2020. His base pay is split for two roles – Executive Director and Chairman. Only the Executive Director portion is shown in the table above. The pay has been pro-rated to full year to aid compatibility. From 1 October 2019 he transferred to the UAE and his remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.

3 Mansour Al Alami was appointed Executive Chairman effective 10 November 2020. His pay has been pro-rated to full year to aid compatibility. The remuneration was paid in UAE Dirhams. The exchange rate as of 31 December 2020 was US$ 1/AED 3.655.

Allowances and benefits for 2021

The cash allowances for 2021 comprise payments to cover costs of transport will be as follows:

	Allowances from 1 January 2021 US$'000	Allowances from 1 January 2020 US$'000	% change
Steve Kersley[1]	–	21	–
Tim Summers[2]	–	42	–
Mansour Al Alami[3]	12	–	100%

1 Steve Kersley was removed from the Board effective 30 June 2020 and resigned as Chief Financial Officer on 10 November 2020. His pay has been pro-rated to full year to aid compatibility. The remuneration was paid in UAE Dirhams. The exchange rate as of 31 December 2020 was US$ 1/AED 3.655.

2 Tim Summers was Executive Chairman effective 21 August 2019 until his resignation on 10 November 2020. His base pay is split for two roles – Executive Director and Chairman. Only the Executive Director portion is shown in the table above. The pay has been pro-rated to full year to aid compatibility. From 1 October 2019 he transferred to the UAE and his remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.

3 Mansour Al Alami was appointed Executive Chairman effective 10 November 2020. His pay has been pro-rated to full year to aid compatibility. The remuneration was paid in UAE Dirhams. The exchange rate as of 31 December 2020 was US$ 1/AED 3.655.

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 2021

For 2021 the maximum bonus opportunity will be 120% of base salary (or uplift base salary) taking into account any temporary reductions. Any portion above 100% of salary will be deferred into shares under the new Deferred Bonus Plan (subject to shareholder approval). The annual bonus for Executive Directors will be based on Group financial performance, weighted as follows:

Measure	Weighting
EBITDA	40%
EBITDA Margin	10%
Equity Raise	40%
2022 Secured revenue	10%
Total	**100%**

No elements of the bonus are guaranteed and no bonus at all will be payable unless the US$ 25 million (net) equity raise has been completed as planned.

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.

Long-term incentive awards to be granted in 2021

Assuming that the proposed new policy is approved, from this year, any bonus awards receivable in excess of 100% of base salary will be subject to a two-year deferral. The award will be subject to strengthened malus and clawback provisions, which have been expanded to include serious misconduct, reputational harm and corporate failure, such as the Company going into administration or liquidation, in addition to a material misstatement of the Group's financial results or an error in the calculation of performance targets. The provisions will apply for three years from the end of the financial year to which a payment relates.

Subject to the required shareholder approvals, the Committee intends to make an LTIP award to the Chairman in 2021. As mentioned in the Chairman's letter on pages 51 to 52, the Remuneration Committee intends to consult with major shareholders on the operation of the LTIP in 2021 prior to the grant of awards. From 2019, a two-year post-vesting holding period exists for LTIP awards.

Non-Executive Directors' single figure table (audited)

	Fees 2020 US$'000	Fees 2019 US$'000	Total remuneration 2020 US$'000	Total remuneration 2019 US$'000
Chairman[1]				
Mansour Al Alami[2]	**3**	–	**3**	–
Tim Summers[3]	**233**	104	**233**	104
Simon Heale[4]	**–**	75	**–**	75
Chairman total	**236**	179	**236**	179
Non-Executive Directors[1]				
Rashed Al Jarwan[5]	**10**	–	**10**	–
Saeed Mer Abdulla Al Khoory[6]	**10**	–	**10**	–
Hassan Heikal[7]	**–**	–	**–**	–
Hesham Halbouny[8]	**–**	–	**–**	–
Mo Bississo[9]	**–**	–	**–**	–
David Blewden[10]	**53**	39	**53**	39
Dr Shona Grant[11]	**47**	60	**47**	60
Mike Turner[12]	**58**	43	**58**	43
W. Richard Anderson[13]	**–**	22	**–**	22
Simon Batey[14]	**–**	30	**–**	30
Non-Executive Director total	**413**	372	**413**	372

1 The Chairman and Non-Executive Directors' remuneration is paid in Pound Sterling and reported in US$ using an exchange rate of US$ 1.29/£1 for 2020.
2 Mansour Al Alami was appointed as Chairman on 10 November 2020 and Chairman of the Nomination Committee. On 23 November 2020 he was appointed as Executive Chairman and ceased to receive a fee for the Chair role from this date.
3 Tim Summers was Executive Chairman from 21 August 2019 until his resignation on 10 November 2020. His base pay is split for two roles Executive Director and Chairman. From 1 October 2019 he transferred to the UAE and his remuneration is paid in UAE Dirhams and reported in US$ using an exchange rate of US$ 1/AED 3.655.
4 Simon Heale stepped down from the Board and Chairman role in March 2019.
5 Rashed Al Jarwan was appointed to the Board effective 10 November 2020.
6 Saeed Mer Abdulla Khoory was appointed as a Non-Executive Director in November 2020 and died in February 2021.
7 Hassan Heikal was appointed as a Non-Executive Director with effect from 4 August 2020, resigned with effect from 7 October 2020 and was re-appointed as a Non-Executive Director with effect from 25 November 2020. Hassan waived his entitlement to receive a fee for this role.
8 Hesham Halbouny was appointed as a Non-Executive Director with effect from 4 August 2020 and, resigned with effect from 7 October 2020. Hesham waived his entitlement to receive a fee for this role.
9 Mo Bississo was a Non-Executive Director from March 2019 until November 2020 and waived his entitlement to receive a fee for this role.
10 David Blewden was appointed to the Board and as Chairman of the Audit and Risk Committee in June 2019 until November 2020.
11 Dr Shona Grant was appointed as a Non-Executive Director in October 2018 and was removed from the Board in November 2020.
12 Mike Turner was appointed to the Board and as Chairman of the Committee from June 2019 until November 2020.
13 Richard Anderson, independent Non-Executive director, resigned from the Board on 30 April 2019.
14 Simon Batey did not stand for re-election at the Annual General Meeting held on 28 May 2019.

Directors' interests in ordinary shares (audited)

Through participation in performance-linked share-based plans, there is strong encouragement for the 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 is being increased also to be 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. 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 2020 were as follows:

	At 31 December 2020	At 31 December 2019	Shareholding ownership requirement met?	Outstanding LTIP awards
Mansour Al Alami	–	–	N/A	–
Rashed Al Jarwan	–	–	N/A	–
Saeed Mer Abdulla Al Khoory	–	–	N/A	–
Hassan Heikal	–	–	N/A	–
Mo Bississo	–	8,949[1]	N/A	–
David Blewden	–	–	N/A	–
Steve Kersley	–	–	N/A	2,050,666
Tim Summers	–	–	N/A	–
Mike Turner	–	–	N/A	–
Duncan Anderson[2]	–	2,014,622	Yes	–

1 These shares are beneficially held by Mr Bississo's wife, Sara Alom Ruiz.
2 Shareholding as at 21 August 2019 when Mr. Anderson stepped down from the Board.

There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2020 to 20 May 2021.

* 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. Full details of LTIP awards are set out on page 62.
** There are no other share, share option schemes or outstanding share awards other than LTIP awards.

Fees for the Executive Chairman and Non-Executive Directors

The Executive Chairman and 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 discussions regarding their own fees. Non-Executive Directors receive no other benefits and do not participate in short-term or long-term reward schemes. On 10 November 2020, Mansour Al Alami became Executive Chairman after Tim Summers' resignation. Hassan Heikal and Hesham Halbouny who joined as a Non-Executive Directors during 2020 waived their entitlement to receive a fee for this role. A summary of the current fees and those for 2021 are set out below; however, the Committee ensures that the remuneration package remains competitive in line with current market levels. Fees are paid in Pound Sterling and converted into USD using average rates of 1.29 (2019: 1.33).

	Annual fee 2021 US$'000	Annual fee 2019 US$'000	% change
Chairman, Mansour Al Alami[1]	–	–	0%
Chairman, Tim Summers[2]	–	266	0%
Independent Non-Executive Director base fee	58	60	0%
Additional fees:			
Senior Independent Director	6	7	0%
Audit and Risk Committee Chair	6	7	0%
Nomination Committee Chair[3]	–	–	0%
Remuneration Committee Chair	6	7	0%

1 Mansour Al Alami became Executive Chairman on 25 November 2020, however he does not receive any fee for his Chairman role.
2 From April to 21 August 2019 Tim Summers was Non-Executive Chairman. From 21 August 2019 Tim Summers was Executive Chairman. In the table above only Non-Executive position pay is presented. The actual amount paid to Mr Summers for the Non-Executive role in 2020 was GBP £180,000 (the difference arising from the temporary salary reduction taken in 2020 as part of COVID-19 measures).
3 The Executive Chairman is the Chair of the Nomination Committee and there is no separate pay for this position.

Annual percentage change in director and employee remuneration

As no Board member served a full year in both 2019 and 2020 (see above for joining and leaving dates), the table below shows the annual percentage change in paid fixed remuneration of base salary, allowances and benefits of Directors and employees in 2020 compared to 2019:

	Base salary	Benefits	Annual Bonus
Mansour Al Alami	N/A	N/A	N/A
Rashed Al Jarwan	N/A	N/A	N/A
Saeed Mer Abdulla Khoory	N/A	N/A	N/A
Tim Summers	12%	0	0
Mike Turner	47%	N/A	N/A
David Blewden	46%	N/A	N/A
Shona Grant	-15%	N/A	N/A
Chief Financial Officer[1]	-11%	136%	144%
Chief Executive Officer[2]	180%	-4%	64%
FTEs	-1%	6%	-48%

1 The Chief Financial Officer role was held by two people in 2019 and one in 2020. These amounts are the combined actual amounts paid.
2 The Chief Executive Officer role was held by two people in 2019 and three people in 2020 as Duncan Anderson was on gardening leave until August. These amounts are the combined actual amounts paid.

Relative importance of the spend on pay

The table below shows overall expenditure on pay in the whole Group in 2020 and 2019 financial years, compared to returns to shareholders through dividends:

	2020 US$'000	2019 US$'000	% change
Overall expenditure on pay	**27,565**	35,025	(21%)
Dividends and share buybacks	**–**	–	0%

Total shareholder return performance graph

This graph below shows the value, at 31 December 2020, of £100 invested in Gulf Marine Services PLC on 14 March 2014 (being the date that shares were first admitted to conditional trading) compared with the value of £100 invested in the FTSE 250 Index excluding financial services companies over the same period. The FTSE 250 Index has been selected for this comparison as it is one of the indexes used to determine performance under the LTIP scheme for Executive Directors and is considered to be the most appropriate index measure.

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 2020 is in compliance with the Code which provides that all members of the Committee should be independent Non-Executive Directors.

Mike Turner was removed from the Board and as Chair of the Committee effective 10 November 2020. On the same date Dr. Shona Grant and David Blewden were also removed. Saeed Mer Abdullah Al Khoory was appointed as Chair of the Committee effective 11 November 2020 until his death in February 2021. He was replaced as Chair by Jyrki Koskelo in the same month. The former Executive Chairman, former Chief Financial Officer and 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 is considering matters concerning themselves. The Company Secretary acts as Secretary to the Committee.

The Committee met on six occasions during 2020. Members' attendance at those meetings is shown on page 35. The Committee also held informal discussions as required.

Performance evaluation of the Committee

As the Committee was only formed at the end of 2020, there was no evaluation. An evaluation is planned for 2021.

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 21 May 2021 for presentation to shareholders at the AGM.

Jyrki Koskelo
Remuneration Committee Chairman
21 May 2021

This Directors' Report, prepared in accordance with the requirements of the Companies Act 2006, 2018 UK Corporate Governance Code (publicly available on the Financial Reporting Council website), the UK Listing Authority's Listing Rules, and Disclosure and Transparency Rules, contains certain statutory, regulatory and other information. Compliance with the 2018 UK Corporate Governance code is outlined on page 42.

The Strategic Report includes an indication of likely future developments in the Company, details of important events since the year ended 31 December 2020 and the Company's business model and strategy.

The Report of the Board includes summaries of the operations of the Board and its Committees, and details of the Directors' remuneration. The Strategic Report and the Report of the Board on pages 1 to 31 and 34 to 75 is 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	63
Waiver of emoluments by a Director	Not applicable
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

Strategic Report

Details of the Group's strategy and business model during the year and the information that fulfils the requirements of the Strategic Report, required by sections 414A to D of the UK Companies Act 2006 can be found in the Strategic Report section on pages 1 to 31 of this document, which forms part of this report by reference.

Directors

The Directors who served during the year are as follows:
Mansour Al Alami (appointed 10 November 2020).
Saeed Mer Abdulla Khoory (appointed 10 November 2020).
Rashed Al Jarwan (appointed 10 November 2020).
Hassan Heikal (appointed 4 August 2020, resigned 7 October 2020, reappointed 25 November 2020).
Hesham Halbouny (appointed 4 August 2020, resigned 7 October 2020).
Tim Summers (resigned 10 November 2020).
Steve Kersley (removed from the Board 30 June 2020).
Mo Bississo (removed from the Board 10 November 2020).
David Blewden (removed from the Board 10 November 2020).
Dr Shona Grant (removed from the Board 10 November 2020).
Mike Turner (removed from the Board 10 November 2020).
On 5 February 2021, Jyrki Koskelo was appointed to the Board.

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. All our Directors must be approved by the Board before they stand for re-appointment by shareholders.

Directors wishing to continue to serve will seek re-election annually in accordance with provision 18 of the Code. Members may remove a Director by passing an ordinary resolution of which special notice has been given, in accordance with the Companies Act 2006.

Section 172(1) of the Companies Act 2006

The Directors have reviewed the new reporting requirements. For further 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 6. Please also refer to pages 14 to 16 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 6 and forms part of this report by reference.

Amendments to the Articles of Association

The Company may alter its Articles of Association 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 Companies Act 2006. 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 2020, 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

All the Company's share-based employee incentive plans detailed in the Report of the Remuneration Committee on pages 51 to 69 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 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 2020 can be found in Note 13 to the consolidated financial statements, on page 113. The Company's share capital comprises ordinary shares, which are listed on the London Stock Exchange.

Ordinary shares

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 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.

Authority to purchase the Company's own shares

At the 2020 AGM, a majority of shareholders voted not to grant the Company a general authority to allot shares up to 33% of the Company's issued share capital as at 30 June 2020. Shareholders also voted against the resolution to provide the Company with authority to allot shares for cash on a non-pre-emptive basis up to 10% of the Company's issued share capital as at 30 June 2020.

These resolutions are routine authorities common amongst listed companies and the Company follows The Investment Association's share capital management guidelines. The Company believes adherence to their guidelines to be in the best interests of the Company and its shareholders generally. Resolutions will be proposed at the 2021 AGM to put these authorities in place.

Substantial shareholders

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:

Significant direct/ indirect interest	As at 31 December 2020 Number of shares	As at 31 December 2020 % of share capital	As at 21 May 2021 Number of shares	As at 21 May 2021 % of share capital
Seafox International Limited	105,111,287	29.99%	105,111,287	29.99%
Aberforth Partners LLP	69,731,569[1]	19.90%[1]	69,731,569[2]	19.38%[2]
Mazrui Investments LLC	44,327,994	12.65%	44,327,994	12.65%
Castro Investments Ltd	32,643,538	9.33%	32,643,538	9.33%
Horizon Energy	21,136,703	6.03%	21,136,703	6.03%

1 As at 31 December 2020, Aberforth Partners LLP has notified that of this total number of shares, it is interested in 23,449,440 shares as a result of the discretionary investment management powers it can exercise over the funds of its clients of which it does not exercise voting rights. The Company has been notified that those voting rights are exercisable by The Wellcome Trust.

2 As at 21 May 2021, Aberforth Partners LLP has notified that of this total number of shares, it is interested in 22,888,740 shares as a result of the discretionary investment management powers it can exercise over the funds of its clients of which it does not exercise voting rights. The Company has been notified that those voting rights are exercisable by The Wellcome Trust.

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 20 to 25 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 117 to 121.

Post balance sheet events

More details can be found in Note 40 to the consolidated financial statements on page 129.

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 32 and forms part of this report by reference.

Research and development

The Group did not undertake any research and development activities during the year (2019: none).

Political donations

The Group made no political donations and incurred no political expenditure during the year (2019: 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.

During the year, the level of engagement with employees by the Directors continued to increase. The previous Executive Chairman held quarterly Town Hall style meetings with onshore staff to provide information on matters of concern to them as employees until the COVID-19 outbreak. He then provided a weekly round-up of information via email until his resignation.

For our offshore staff, a second recorded a message was sent to communicate such matters in addition to the regular management meetings between onshore and offshore staff. The new Executive Chairman has continued to provide employees with information on matters of concern to them as employees. Dr Shona Grant was the dedicated Workforce Engagement Director until her removal from the Board in November 2020. Rashed Al Jarwan was appointed as new Workforce Engagement Director in early 2021. For more details regarding employee engagement, please refer to page 6 and the S172 statement on pages 14 to 16.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out on page 4 and forms part of this report by reference.

Dividends

No dividend is to be paid for 2020 (2019: nil).

Going concern
The Group's Directors have assessed the Group's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

On 31 December 2020, the Group's banking syndicate agreed to extend certain obligations on the Group, which it was otherwise required to have met including the requirement to issue warrants to the banks. This meant the Group was not in an event of default as at 31 December 2020. This was subsequently extended on two further occasions through to 31 March 2021 at which point the Company entered into a new agreement with its lenders, delivering significantly improved terms, which were consistent with the term sheet announced on 16 March 2021.

The revised deal provides additional time needed to complete an equity raise with a lower initial quantum and now includes a requirement of US$ 25 million of equity to be raised by 30 June 2021 and a further US$ 50 million by 31 December 2022. This must be put to the Company's shareholders to approve. Seafox and Mazrui are related parties under the Listing Rules, and therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Failure to obtain the necessary shareholder approval and raise US$ 25 million of new equity (net) by 30 June 2021 will result in an event of default and indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on the progress made to date and an informal commitment from these two shareholders representing 42% of the share capital of the Company to take up their prorated share, that the equity raise will be successfully completed prior to 30 June 2021. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

If shareholder approval is not obtained and US$ 25 million of new equity is not placed by 30 June 2021 the banks would retain the right, under the existing loan terms, to call default on the loans as of that date. This would allow a majority of banks, representing at least 66.67% of total commitments, to exercise their rights to recall all credit facilities, demand immediate repayment and/or enforce its rights over the security granted by the Company as part of this facility either through enforcing security over assets and/or exercising the share pledge to take control of the Group.

GMS remains cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The Board's view is that the transition risk associated with climate change remains an emerging risk with no appreciable impact in the going concern forecast period.

The impact of COVID-19 has also been considered with vessel downtime, as a contingency, for 2021. The forecast has been amended to allow for additional hotel and testing costs for offshore crew whilst in quarantine. Terms and conditions of crew rotations have also been amended and costs updated to reflect this. Rotations have been extended for all crew to limit the number of times in quarantine and the number of changeouts on the crew which increases the risk of infection each time it occurs. All policies are in line with Government and client guidelines for offshore activities.

This matter is further discussed in the Group's Long Term Viability Statement on page 32.

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.

External auditor
Deloitte LLP, 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 2021 Annual General Meeting.

Annual General Meeting (AGM)
Details of the Company's 2021 AGM will be sent to shareholders. The Notice of AGM sent to shareholders will set out the business of the Meeting and an explanatory note on all resolutions. Separate resolutions will be proposed in respect of each substantive issue.

By order of the Board.

Tony Hunter
Company Secretary
21 May 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

The separate financial statements of the Company are presented as required by the Companies Act 2006. They 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. 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 Company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, 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;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 21 May 2021 and is signed on its behalf by:

Mansour Al Alami
Executive Chairman
21 May 2021

Andy Robertson
Chief Financial Officer
21 May 2021

1. Opinion

In our opinion:

- **the financial statements of Gulf Marine Services plc (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.**

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated and parent Company statements of financial position;
- the consolidated and parent Company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related Notes 1 to 40 to the consolidated financial statements and Notes 1 to 13 of the parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. 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 are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent Company for the year are disclosed in Note 38 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty related to going concern

We draw attention to Note 3 in the consolidated financial statements and Note 2 to the parent Company financial statements, which indicates that the Group has been in negotiation with lenders on a longer-term solution to its capital structure and on 31 March 2021, the Group together with its banking syndicate executed an amendment to its common terms agreement and related loan documentation. As part of this amended agreement, the Group is required to obtain shareholder approval in order to raise a minimum of US$ 25 million of new equity (net) by 30 June 2021, noting that two significant shareholders, Seafox and Mazrui Investments LLC, holding 42% of the Company's ordinary share capital, are related parties under the Listing Rules and therefore their respective votes would not be counted in a shareholder vote on a related party transaction to which they are party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. If the Group fails to obtain shareholder approval and successfully raise equity, then lenders would retain the right to call default on the loans. This would allow a majority of banks, representing at least 66.67% of total commitments, to exercise their rights to demand immediate repayment and/or enforce security granted by the Company as part of this facility at the asset level and/or by exercising the share pledge to take control of the Group.

As stated in Note 3 to the consolidated financial statements and Note 2 to the parent Company financial statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of internal controls surrounding Management's preparation of the going concern assessment;
- 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 their knowledge of events or conditions and related business risks beyond the period of assessment used by Management (one year from expected approval date for the year end 2020 financial statements) that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern;
- assessing whether Management has appropriately reflected impacts arising from COVID-19 in the forecasts in addition to the impacts of climate change and energy transition in the going concern period;
- challenging the appropriateness of downside and stress test scenarios in order to assess the reasonableness of the assumptions included; and
- challenging commercial management regarding the status of the contract pipeline and the likelihood and timing of awards;

• Recalculating the covenants ratios in accordance with the common terms agreement to determine whether any breaches of those covenants exist in the forecast cash flows;
• Testing the mechanical accuracy of the cash flow model used by Management to prepare the forecasts and resulting covenant calculations, including re-performance of calculations of adjusted EBITDA and finance costs;
• Determining whether the cash flow projections are consistent with those used in Management's impairment assessment and substantiating differences arising;
• Engaging in discussions with the Group's external advisors and lawyers in order to corroborate Management's position with regards to the ongoing preparations and the likelihood of the success of the US$ 25 million equity raise by 30 June 2021, including obtaining an understanding and evaluating the impact of the two significant shareholders being precluded from participating in the vote;
• Considering the existence of any contradictory evidence in relation to Management's assumptions of a successful equity raise through challenge of non-finance personnel, review of analyst reports, and discussions with brokers; and
• Performing a detailed review of the related disclosures in the Annual Report, and considering the impact these have on our audit report.

In relation to the reporting on how the Group has 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; and
- the Directors' identification in the financial statements of the material uncertainty related to the Group's and parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

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

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty related to going concern section above); • Impairment of the Group's vessels; • Accounting for the modification of debt; and • Recognition of charter hire revenue. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was US$ 1.6 million which was determined on the basis of 1.6% of revenue.
Scoping	We identified the Group's business to be a single component, and therefore all operations of the Group were subject to a full scope audit. All audit work for the Group was performed directly by the audit engagement team.
Significant changes in our approach	Our audit approach has changed from the prior year as follows: • Amendment to the benchmark used in the determination of materiality from net assets to revenue following stabilised revenues over a number of years; • Reduction in the percentage applied to materiality in arriving at performance materiality reflecting control deficiencies, significant governance changes during the year, and the higher volume of misstatements identified in the current year audit; and • Identification of a key audit matter in relation to the accounting for the modification of debt due to the significant judgements and complexities involved in accounting for the debt modified in the year.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Impairment of the Group's vessels

Key audit matter description	The Group's vessels are its sole revenue generating assets and have a carrying amount of US$ 558.6 million at 31 December 2020 (2019: US$ 662.7 million). As described in Notes 4 and 5, the market capitalisation of the Group continues to be lower than its net asset value which Management identified to be an impairment indicator, and accordingly the Group performed an impairment assessment for all vessels. Management have obtained an independent broker valuation of its vessels as at 21 February 2021 for the purpose of its banking covenant compliance requirements. However, Management do not consider these broker 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 "willing buyer and willing seller" transactions in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations as to the accuracy of these valuations, Management have concluded that the most reliable basis of the vessels' recoverable amount to be value in use ("VIU"); and has subsequently recognised impairments on five K-class vessels and two E-class vessels, for US$ 61.1 million and US$ 26.0 million respectively. As described in Note 5, the most difficult and subjective judgements identified by management in the estimation of VIU include longer term assumptions for day rates and utilisation (i.e. after the expiry of existing contracts) and the nominal pre-tax discount rate. The VIUs are particularly sensitive to the longer term assumptions as they are used to extend the impairment forecasts beyond the first five years through to the end of each vessel's life. As disclosed in Note 4, these impairment assumptions are identified as key sources of estimation uncertainty and are further discussed in the Audit and Risk Committee's report on page 45. Management has adopted significantly more conservative values for each of these assumptions in the current year, as compared with those used by the Company in its impairment testing in the prior year (see Note 5). Due to the sensitivity of the recoverable amounts to these key assumptions, the subjectivity and judgement involved, and the material changes in assumptions adopted in the current year compared to the prior year impacting the current year impairment, we identified a key audit matter relating to these assumptions with regard to those vessels that we consider to carry a significant risk in relation to impairment (being the K-class and E-class vessels). Furthermore, we also identified a potential for Management bias through possible manipulation of these assumptions and the resulting recoverable amount.

How the scope of our audit responded to the key audit matter	We responded to the key audit matter by performing the following procedures: • Obtained an understanding of the relevant controls surrounding Management's preparation of the discounted cash flow model, including the forecast day rates, utilisation, and the calculation of discount rate to be applied and assessment of the impairment judgements; • Tested the inputs relating to the forecast cash flows used in the VIU model by performing the following: – Inspected external market analyses and compared the expected activity levels and market trends in the industry in order to challenge the assumptions made by Management in their value in use calculations; – Challenged the reasonableness of day rates and utilisation rates used by reading contracts for secured backlog, assessing likelihood of current pipeline opportunities by inspecting underlying evidence such as tender documents, and considering the historical rates achieved for individual vessels to assess whether forward looking assumptions are within a reasonable range; – Held discussions with Management, including Commercial Management, in order to assess their process and challenge the rationale for the key assumptions applied and evaluated material facts to other external evidence where available; – Agreed the operating and capital expenses assumed in the model to the business plan and assessed the reasonableness of these assumptions by performing budget versus actuals analysis in order to understand and assess Management's forecasting ability in relation to costs as well as checking for consistency with historical cost levels; and – Considered the impact of COVID-19 on the forecasted cash flows, including the associated oil price drop and the impact of any operational disruption. • Considered how climate change and energy transition have been reflected in Management's forecasts and how these factors might affect the future cash flows and capital costs of the business; • Assessed whether any impairment reversals were required for previously impaired vessels; • 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 long term outlook from external long term industry and market analyses including external forecasts and scenarios related to climate change; • Utilised internal specialists for an assessment of the discount rate applied to the cash flows in Management's VIU model; • Tested the mechanical accuracy of the VIU model prepared by Management; • Evaluated Management's experts in order to determine whether their work is sufficiently reliable for us to use as audit evidence. This involved an assessment of the skills and knowledge of the expert, an evaluation of whether the methods and significant assumptions used in their work are appropriate under the circumstances, and the overall reliability of their work; • As part of the above evaluation, we considered the vessel broker valuations obtained by Management and assessed whether the indicated values were reliable fair values given the limited transactions in the market. We compared these valuations with Management's VIUs and assessed the implication of the significant variances as part of our contradictory evidence assessment above; • Assessed whether there was any evidence of Management bias in respect of the changes made to each version of the VIU model and applied focused scrutiny to assumptions that had been revised to assess whether the revised assumptions and resulting VIUs remained within a reasonable range; • Performed an overall stand back assessment to determine whether Management's VIU estimate was reasonable; and • Assessed disclosures in the financial statements in relation to impairment to assess whether these are adequate and appropriate by reference to the relevant accounting standards.
Key observations	We found Management's assumptions about longer term day rates and utilisation for the Group's vessels to be conservative when compared to available external market forecasts of day rates and utilisation through to 2026 and also when compared against rates the vessels achieved at certain times in the past; as well as being generally more conservative than the Company's prior year impairment assumptions as disclosed in Note 5. However, we accepted Management's assumptions to be within a reasonable range given the overall downside risks. We found Management's discount rate assumption to be within our reasonable range. Accordingly, we determined that Management's VIU estimates were reasonable overall, albeit at the more conservative end of a reasonable range in our judgement, and that Management's more conservative current year assumptions and the resulting current year impairment charge was supportable. We identified that Management's controls throughout the process of preparing and reviewing the value in use calculations, including the calculation of the discount rate, were not sufficiently robust to identify errors in the overall assessment with indications of anchoring bias also identified. Those errors identified from our audit procedures were corrected by Management and have been considered by the Audit and Risk Committee in their report. We consider our audit procedures appropriately responded to the control deficiencies identified. We have considered the disclosures made in relation to impairment to be appropriate, including those relating to the sensitivity analysis performed over the value in use analysis and the outcomes of this.

5.2. Accounting for the modification of debt

Key audit matter description	The Group renegotiated the terms of its lending arrangements on 16 June 2020, extending the maturity to June 2025. The contractual terms contained conditions such that if an equity raise of US$ 75.0 million did not take place by 31 December 2020, Payments In Kind ("PIK") interest would accrue from 1 January 2021 and warrants would need to be issued to the lenders for 20% of the ordinary share capital of the parent Company no later than 31 December 2020 in order to avoid an event of default. In negotiating the new lending facilities, the Group incurred US$ 16.2 million of debt costs. Under IFRS 9, a '10 per cent test' is required to be performed in order to determine whether the modification is substantial, thereby requiring derecognition of the old debt, including any capitalised debt costs and the recognition of the new debt instrument. The 10 per cent test involves assessing whether the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining the forecast debt cash flows to use for the 10 per cent test, Management was required to make a judgement as at the modification date of 16 June 2020 as to the more likely outcome between a successful equity raise of at least US$ 75.0 million or whether warrants would be issued and PIK would accrue from 1 January 2021. This outcome was predicated on Management making a judgement on shareholder voting intentions in relation to the approval of the issuance of equity or warrants and an assessment of investor appetite for an equity raise. For the 30 June 2020 half-year results, Management had made the judgement that the more likely outcome would be that the equity raise would occur. Following a change in key management personnel in the second half of 2020, the Company has determined that not all of the available evidence was fully taken into account at the modification date when assessing the likelihood of an equity raise occurring; and that the more likely outcome should have been that the equity raise would not be successful, that warrants would be issued before 31 December 2020 and PIK would accrue from 1 January 2021. Management has therefore determined that an error in respect of this judgment was made in the interim financial results for the six-months ended 30 June 2020. This judgement resulted in the modification to the debt terms as of 16 June 2020 meeting the definition of substantial as per the 10% test, such that derecognition of the old debt was required and the previously capitalised debt costs of US$ 16.2 million has been written off to profit and loss. Should Management have made a judgement such that a successful equity raise was the more likely outcome, the 10% test would not have been met and the US$ 16.2 million of debt costs would have remained on the balance sheet, included in the carrying amount of the debt. There is therefore a material judgement involved in the determination of the more likely outcome at the date of modification. Management has concluded the above matter to be a critical judgement and has therefore included details of the judgement made and the resulting outcome in Note 4 to the consolidated financial statements. Details related to the terms of the borrowings are provided in Note 22. These disclosures have also been included in the in the Audit and Risk Committee Report on page 46.
How the scope of our audit responded to the key audit matter	We responded to the key audit matter by performing the following procedures: • Obtained an understanding of relevant controls surrounding the loan calculations and the assessment of the judgements made by Management in arriving at their conclusion; • Held discussions with Management, the Chairman of the Board of Directors, the previous CFO, a representative of the major shareholder, the Company Secretary and current advisors to assess the judgement made by Management; • Read minutes of board meetings, board packs, advisor presentations, press releases made by the Group as well as their major shareholder to assess whether all forms of evidence, including any contradictory were considered by Management when making the judgement at the modification date; • In order to assess the completeness of information available to Management at the time of modification, obtained emails from the previous CFO and previous CEO and read the communication between them, the Group's advisors and shareholders around the time of the modification. We engaged our forensics specialists to assess the completeness of the data received and, using specific software, interrogated emails using relevant keyword searches; • Tested the mechanical accuracy of the loan workings; • Obtained the forecast net leverage ratio calculations prepared by Management which underpin the forecast PIK interest payable and reviewed the assumptions used ensuring consistency with the cash flows used in the vessel impairment analyses as at 31 December 2020; and • Evaluated the disclosures in the financial statements in relation to the critical judgements as to whether there was a substantial modification of the debt and to assess whether these are adequate and appropriate by reference to the relevant accounting standards.

Key observations	We note Management's judgement on the more likely outcome between a successful equity raise and the issuance of warrants and PIK interest to be finely balanced. However, based on the available evidence, we accept Management's judgement that the issuance of warrants and the accruing of PIK interest should have been the more likely outcome as at the date of modification; and that consequently, the amendments to the debt terms meet the definition of a substantial modification; and it therefore to be appropriate for the debt transaction costs to be written off. We identified that Management's controls throughout the process of preparing and reviewing the evidence available and the debt modification calculations were not sufficiently robust to identify errors in the overall assessment and indicators of possible Management bias existed. Those errors identified were corrected by Management. We consider our audit procedures appropriately responded to the control deficiencies identified. We consider Management's assumptions used in the Group's forecast cash flows to be reasonable when determining the drop in the PIK interest's margin and when it would cease to accrue.

5.3. Recognition of charter hire revenue

Key audit matter description	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. Certain contracts also include amounts payable to the Group in respect of mobilising the vessel at the inception of the contract and/or demobilising the vessel at the end of the contract term. As disclosed in the accounting policies in Note 3, revenue is recognised over the term of the contract for certain performance obligations such as mobilisation, and at a point in time for other performance obligations such as lump-sum fees received for equipment moves (and related costs) as part of demobilising a vessel. Accordingly, in order for revenue to be recorded appropriately, for each vessel Management is required to: • accurately record the number of days both on hire and on standby (to achieve completeness); • apply the correct contractual rates, net of any discounts, to the number of days in each of these categories; 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 and the revenue recognition principles of IFRS 15. Due to the significant variability in contract terms by vessel and by counterparty, we have identified the complete recording of revenue as a key audit matter. Further details of revenue generated in the year are provided in Notes 30 and 33 to the financial statements.
How the scope of our audit responded to the key audit matter	In responding to the revenue recognition risk we have performed the following procedures: • Obtained an understanding of relevant controls, such as the review and approval by operational management of invoices prior to issuance. A controls reliant strategy was planned but not subsequently taken due to a number of control deficiencies identified; • Agreed the day rates to the underlying contracts; • Performed a recalculation of charter hire revenue on the number of days on hire/standby based on customer/third party signed confirmations and obtained supporting explanations for any gaps and reconciled this to our knowledge of each vessel's operational performance during the period; • Agreed a sample of billed revenues to cash received; • For mobilisation and demobilisation revenue, assessed whether revenue has been recorded in accordance with the terms of the contract and the Group's accounting policy in this area by agreeing the dates of mobilisation and any amounts to be deferred; and • Recalculated the deferred revenue in respect of mobilisation revenue by agreeing mobilisation income to contract and apportioning according to the life of the firm period of the contract.
Key observations	We are satisfied that revenue has been recorded in accordance with the terms of the underlying contracts and the Group's accounting policies in this area and that our audit procedures appropriately responded to the control deficiencies identified.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	US$ 1.6 million (2019: US$ 1.6 million)	US$ 1.57 million (2019: US$ 1.6 million)
Basis for determining materiality	1.6% of revenue (2019: 0.5% of net assets)	0.5% of net assets (2019: 0.3% of net assets)
Rationale for the benchmark applied	Revenue has been used as the primary benchmark for determining materiality as it has stabilised and returned to more consistent levels year on year. In addition to this primary metric, we have also taken into consideration another benchmark, noting that US$ 1.6 million represents 0.7% of net assets which was the benchmark applied in the prior year.	For the parent Company, as the primary nature of this holding company is to hold investments in subsidiaries, we have concluded that net assets represents the most appropriate benchmark. The increase from 0.3% to 0.5% is due to the parent Company materiality being capped at a percentage of the Group materiality.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	60% (2019: 70%) of Group materiality	60% (2019: 70%) of parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Quality of the control environment: controls reliance could not be taken over the revenue business process and a number of significant deficiencies in internal controls were identified as described in the Key Audit Matters for the impairment of the Group's vessels and the accounting for the modification of debt; • Governance considerations: high turnover of Management and key accounting personnel, including the Chief Financial Officer, Chief Executive Officer, and all other Board members. Additional considerations were made in respect of the shareholder activism that culminated in the replacement of all Board members, resulting in non-compliance with the Corporate Governance Code in a number of areas for part of the financial year. We also identified an increased risk of bias from the both the current and former Management as a result; and • Level of error: the higher volume of misstatements identified in the current year audit, including a number of restatements of the comparative financial information.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of US$ 81,500 (2019: US$ 83,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

We have identified the Group's business to be a single component based on our understanding of the Group and its environment, including Group-wide controls, and our assessment of the risks of material misstatement at the Group level. Therefore all operations of the Group were subject to a full scope audit.

7.2. Our consideration of the control environment

We have not sought to take controls reliance over automated IT controls in the current year which is consistent with the prior year, however we have engaged IT audit specialists to obtain an understanding of general IT controls in the period.

We planned to take a controls reliance approach through our tests of operating effectiveness of controls over the recognition of charter hire revenue, however as a result of a number of control findings, while not considered significant deficiencies individually, overall, they resulted in no reliance being placed on those controls.

The significant deficiencies identified in the Key Audit Matters section have been considered by the Audit and Risk Committee in its report on page 46, including the actions to remediate these deficiencies.

7.3. Working with other auditors

Throughout the course of the audit, the UK audit team, including the Senior Statutory Auditor, supervised the members of the Group audit team who are based in the United Arab Emirates ("UAE") through detailed reviews of their work for compliance with auditing standards throughout the planning and execution of the audit.

Travel restrictions due to the Coronavirus global pandemic meant that the UK audit team could not visit the UAE audit team and UAE-based operations as in previous years. The UAE audit team was able to conduct audit procedures at the Company's premises due to there being fewer restrictions on in-country activities. The UK audit team therefore maintained a similar level of communication as in prior years through regular calls and video conference meetings with both Company management and the audit team in the UAE.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent 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 the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

10. 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 or error, and to issue an auditor's report that includes our opinion. 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 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 further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for both current and previous Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of Management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, financial instruments, IT and forensic specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: appropriateness of the going concern assumption, impairment of the Group's vessels, the accounting for the modification of debt and the recognition of charter hire revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's or the parent Company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the impairment of the Group's vessels, the accounting for the modification of debt and the recognition of charter hire revenue as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of Management, the Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- obtaining an understanding of the Group's policies and procedures to identify and monitor related parties and related party transactions;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the board and those charged with governance, reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls:
  - testing the appropriateness of journal entries and other adjustments using enhanced interrogation techniques and specific keyword parameters;
  - assessment of the ability to manipulate bonus criteria to favourably present certain key performance indicators;
  - assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
  - evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 73;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 32;
- the Directors' statement on fair, balanced and understandable set out on page 75;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 46;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 20; and
- the section describing the work of the Audit and Risk Committee set out on pages 44 to 48.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by shareholders on 14 March 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2014 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This 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.

Graham Hollis, ACA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen
21 May 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Revenue	30,33	**102,492**	108,721
Cost of sales		**(70,864)**	(74,570)
Impairment	5,30	**(87,156)**	(59,125)
Gross loss		**(55,528)**	(24,974)
Restructuring costs	34	**(2,492)**	(6,322)
Exceptional legal costs	35	**(3,092)**	–
Other general and administrative expenses		**(12,632)**	(17,788)
General and administrative expenses		**(18,216)**	(24,110)
Operating loss		**(73,744)**	(49,084)
Finance income	36	**15**	16
Finance expense	37	**(46,740)**	(32,063)
Other income		**257**	529
(Loss)/gain on disposal of property, plant and equipment	38	**(2,073)**	14
Gain on disposal of fixed assets held for sale	38	**259**	–
Foreign exchange loss, net	38	**(993)**	(1,181)
Loss for the year before taxation		**(123,019)**	(81,769)
Taxation charge for the year	8	**(1,285)**	(3,696)
Loss for the year	38	**(124,304)**	(85,465)
Other comprehensive expense – items that may be reclassified to profit or loss:			
Net gain/(loss) on changes in fair value of hedging instruments	10	**21**	(1,261)
Net hedging gain/(loss) reclassified to the profit or loss	10	**883**	(241)
Exchange differences on translating foreign operations		**425**	164
Total comprehensive loss for the year		**(122,975)**	(86,803)
(Loss)/profit attributable to:			
Owners of the Company		**(124,339)**	(85,778)
Non-controlling interests	19	**35**	313
		(124,304)	(85,465)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		**(123,010)**	(87,116)
Non-controlling interests	19	**35**	313
		(122,975)	(86,803)
Loss per share:			
Basic (cents per share)	32	**(35.48)**	(24.48)
Diluted (cents per share)	32	**(35.48)**	(24.48)

All results are derived from continuing operations in each year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 US$'000	2019 (Restated*) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**605,077**	714,234
Dry docking expenditure	6	**10,391**	5,454
Right-of-use assets	7	**3,340**	2,644
Total non-current assets		**618,808**	722,332
Current assets			
Trade and other receivables	9	**31,834**	39,185
Cash and cash equivalents	11	**3,798**	8,404
Vessel held for sale	12	**–**	300
Total current assets		**35,632**	47,889
Total assets		**654,440**	770,221
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**58,057**	58,057
Share premium account	13	**93,080**	93,080
Restricted reserve	14	**272**	272
Group restructuring reserve	15	**(49,710)**	(49,710)
Share based payment reserve	16	**3,740**	3,572
Capital contribution	17	**9,177**	9,177
Cash flow hedge reserve		**(836)**	520
Cost of hedging reserve		**–**	(2,260)
Translation reserve	18	**(1,995)**	(2,420)
Retained earnings	18	**93,385**	217,724
Attributable to the owners of the Company		**205,170**	328,012
Non-controlling interests	19	**1,694**	1,659
Total equity		**206,864**	329,671
Current liabilities			
Trade and other payables	21	**23,370**	28,120
Current tax liability		**4,811**	4,289
Bank borrowings – scheduled repayments within one year	22	**31,049**	92,949
Bank borrowings – scheduled repayments more than one year	22	**–**	309,218
Lease liabilities	23	**1,739**	1,204
Total current liabilities		**60,969**	435,780
Non-current liabilities			
Provision for employees' end of service benefits	20	**2,190**	2,280
Bank borrowings – scheduled repayments more than one year	22	**379,009**	–
Lease liabilities	23	**1,572**	750
Derivative financial instruments	10	**3,836**	1,740
Total non-current liabilities		**386,607**	4,770
Total liabilities		**447,576**	440,550
Total equity and liabilities		**654,440**	770,221

* Refer to Note 3 for further details of the balance sheet reclassifications made in the comparative financial information.

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2021. Registered Company 08860816. They were signed on its behalf by:

Mansour Al Alami
Executive Chairman

Andy Robertson
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital 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$'000	Cost of hedging reserve US$'000	Translation reserve US$'000	Retained earnings US$'000	Attributable to the Owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019	57,992	93,080	272	(49,710)	3,410	9,177	685	(923)	(2,584)	303,502	414,901	1,346	416,247
Loss for the year	–	–	–	–	–	–	–	–	–	(85,778)	(85,778)	313	(85,465)
Loss on fair value changes of hedging instruments	–	–	–	–	–	–	(453)	(808)	–	–	(1,261)	–	(1,261)
Net hedging gain/(loss) on hedges reclassified to the profit or loss'	–	–	–	–	–	–	288	(529)	–	–	(241)	–	(241)
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	164	–	164	–	164
Share based payment charge *(Note 16,28)*	–	–	–	–	227	–	–	–	–	–	227	–	227
Shares issued under LTIP schemes *(Note 13)*	65	–	–	–	(65)	–	–	–	–	–	–	–	–
At 31 December 2019	58,057	93,080	272	(49,710)	3,572	9,177	520	(2,260)	(2,420)	217,724	328,012	1,659	329,671
Loss for the year	–	–	–	–	–	–	–	–	–	(124,339)	(124,339)	35	(124,304)
Gain on fair value changes of hedging instruments	–	–	–	–	–	–	–	21	–	–	21	–	21
Net hedging gain/(loss) on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	901	(18)	–	–	883	–	883
Gain/loss on currency hedges reclassified to profit or loss	–	–	–	–	–	–	(2,257)	2,257	–	–	–	–	–
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	425	–	425	–	425
Share based payment charge *(Note 16,28)*	–	–	–	–	168	–	–	–	–	–	168	–	168
At 31 December 2020	**58,057**	**93,080**	**272**	**(49,710)**	**3,740**	**9,177**	**(836)**	**–**	**(1,995)**	**93,385**	**205,170**	**1,694**	**206,864**

Refer to *Note 10* and *Note 13 to 19* for description of each reserve.

The attached Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Net cash generated from operating activities	39	**44,268**	51,344
Investing activities			
Payments for property, plant and equipment		**(5,623)**	(4,641)
Proceeds from disposal of property, plant and equipment		**299**	14
Proceeds from disposal of assets held for sale		**559**	–
Dry docking expenditure incurred		**(7,600)**	(4,813)
Interest received		**15**	16
Net cash used in investing activities		**(12,350)**	(9,424)
Financing activities			
Bank borrowings received		**21,500**	5,000
Repayment of bank borrowings		**(12,075)**	(18,329)
Principal elements of lease payments		**(1,871)**	(3,433)
Payment of issue costs on bank borrowings		**(14,449)**	(92)
Settlement of derivatives		**(883)**	241
Dividends paid		**(650)**	–
Interest paid on leases		**(193)**	(286)
Interest paid on bank borrowings		**(27,903)**	(27,663)
Net cash used in financing activities		**(36,524)**	(44,562)
Net decrease in cash and cash equivalents		**(4,606)**	(2,642)
Cash and cash equivalents at the beginning of the year		**8,404**	11,046
Cash and cash equivalents at the end of the year	11	**3,798**	8,404
Non – cash transactions			
Shares issued under LTIP schemes	13	**–**	65
Recognition of right-of-use asset		**3,239**	860

The attached Notes 1 to 40 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 Middle East and North Africa, 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 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 Middle East 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 2019, except for the adoption of new standards and interpretations effective as at 1 January 2020.

New and revised IFRSs applied with no material effect on the consolidated financial statements

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.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards The Group has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of material – The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.	1 January 2020
Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7 – In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.	1 January 2020
IFRS 16 Leases – The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.	Not stated

New and revised IFRSs	Effective for annual periods beginning on or after
Impact of the initial application of COVID-19-Related Rent Concessions – In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met: a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and c) There is no substantive change to other terms and conditions of the lease. In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.	Not stated
Amendments to IFRS 3 Definition of a business – The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.	1 January 2020

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:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current* The amendments to IAS 1 affect only the presentation of liabilities as current or non current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	1 January 2023
Amendments to IFRS 3 – *Reference to the Conceptual Framework* The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.	1 January 2022

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020 *The Annual Improvements* include amendments to four Standards. IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
Amendments to IAS 16-Property, Plant and Equipment-Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
IFRS 9 *Financial Instruments* – The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
Interest rate benchmark reform – Phase 2 The IASB has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the interbank offered rate ("IBOR") reform includes three major areas, hedge accounting, modifications and disclosures. The amendments clarify that hedge accounting does not have to be discontinued just because hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness. It is clarified that modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications for instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows. The amendments are effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted.	1 January 2021
Amendments to IAS 37 – *Onerous Contracts—Cost of Fulfilling a Contract* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022

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 adoption of these new standards, interpretations and amendments will have no material impact on the consolidated financial statements of the Group in the period of initial application.

Error of judgement made in 2020

Borrowings

On 16 June 2020, the terms of the Group's bank facilities were renegotiated and under IFRS 9 each time borrowings are modified a test is required to compare the present value of the cashflows under the new terms against the original loan terms to determine whether there is a 'substantial modification' (greater than ten per cent difference in the net cashflows between the old and new facility). When there are contingent cash flows to be considered as part of the 10 per cent test, an accounting policy choice is required to be made when making a judgement on those contingent cash flows. The contingent cash flows were based on the more likely outcome occurring before 31 December 2020 between:

- a US$ 75 million equity raise; or
- warrants to be issued for 20% of the Group's ordinary share capital and Payments in Kind (PIK) interest to be accrued.

The Board at the time of 16 June 2020, made a judgement that raising US$ 75 million equity was the more likely scenario and PIK interest would not apply in future cashflows. The Board, as at signing the 2020 financial statements, believe this was an error in judgement as it failed to take fully into account all factors described in *Note 4*. As a result there will be a restatement in the half year 2021 financial statements.

Vessel Relocation Costs

The Board reviewed the judgement made in relation to certain costs to transfer vessels to geographical locations previously recorded as exceptional in the first half of 2020 and therefore included in the Adjusted EBITDA calculation. The Board has concluded that these costs of approximately US$ 6.8 million are more appropriately treated as a normal cost of operations as the Group markets the fleet worldwide, therefore the strategic decision to relocate a vessel could recur if a profitable opportunity presented itself. As a result there will be a restatement in the half year 2021 financial statements.

3 Significant accounting policies

The Group's significant accounting policies adopted in the preparation of these financial statements are set out below. Except as noted in *Note 2*, these policies have been consistently applied to each of the years presented.

Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or 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 Company's Directors have assessed the Group's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

On 31 December 2020, the Group's banking syndicate agreed to extend certain obligations on the Group, which it was otherwise required to have met, including the requirement to issue warrants to the banks. This meant the Group was not in an event of default as at 31 December 2020. This was subsequently extended on two further occasions through to 31 March 2021 at which point the Company entered into a new agreement with its lenders, delivering significantly improved terms, and consistent with the term sheet announced on 16 March 2021, refer to Note 17 for further details.

The revised deal provides additional time needed to complete an equity raise with a lower initial quantum and now includes a requirement of US$ 25 million of equity to be raised by 30 June 2021 and a further US$ 50 million by 31 December 2022. The US$ 25 million equity raise must be put to the Company's shareholders to approve. Seafox and Mazrui Investments LLC (Mazrui) are related parties under the Listing Rules, therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. Failure to obtain the necessary shareholder approval and raise US$ 25 million of new equity by 30 June 2021 will result in an event of default and indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe based on the progress made to date and a non binding commitment from these two shareholders representing 42% of the share capital of the Company to take up their prorated share, that the equity raise will be successfully completed prior to 30 June 2021. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

3 Significant accounting policies (continued)

Going concern (continued)

If a US$ 25 million equity raise is not approved by shareholders and placed by 30 June 2021 the banks would retain the right, under the existing loan terms, to call default on the loans as of that date. This would allow a majority of banks, representing at least 66.67% of total commitments, to exercise their rights to recall all credit facilities, demand immediate repayment and/or enforce its rights over the security granted by the Company as part of this facility either through enforcing security over assets and/or exercising the share pledge to take control of the Group.

GMS remains cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The Board's view is that the transition risk associated with climate change remains an emerging risk with no appreciable impact in the going concern forecast period.

The impact of COVID-19 has also been considered with vessel downtime as a contingency for 2021. The forecast has been amended to allow for additional hotel and testing costs for offshore crew whilst in quarantine. Terms and conditions of crew rotations have also been amended and costs updated to reflect this. Rotations have been extended for all crew to limit the number of times in quarantine and the number of changeouts on the crew which increases the risk of infection each time it occurs. All policies are in line with Government and client guidelines for offshore activities. This matter is further discussed in the Group's Long Term Viability Statement on page 32.

Prior year reclassification

In the current year, the Group's management noted the following adjustments as required by IAS 8 *"Accounting policies, changes and accounting estimates and errors*". The correction of the below resulted in a retrospective reclassification of the comparative amounts for the year ended 31 December 2019. The impact of the below corrections is not material for 2018.

		31 December 2019 as reported US$'000	Adjustments US$'000	31 December 2019 as restated US$'000
Current liabilities				
Trade and other payables	(1)	31,785	(3,665)	28,120
Current tax liability		4,289	–	4,289
Bank borrowings – payments within one year	(1)	89,284	3,665	92,949
Bank borrowings – payments more than one year		309,218	–	309,218
Lease liabilities	(2)	1,954	(750)	1,204
Derivative financial instruments	(3)	1,740	(1,740)	–
Total current liabilities		**438,270**	**(2,490)**	**435,780**
Non-current liabilities				
Provisions for employees' end of service benefits		2,280	–	2,280
Lease liabilities	(2)	–	750	750
Derivative financial instruments	(3)	–	1,740	1,740
Total non-current liabilities		**2,280**	**2,490**	**4,770**
Total liabilities		**440,550**	**–**	**440,550**

(1) In the prior year, accruals for bank interest of US$ 3.7 million were included as accrued expenses in trade and other payables. In accordance with IFRS 9 this should have been included as bank borrowings and therefore the balance has been reclassified.
(2) In the prior year, lease liabilities were presented as current on the face of consolidated statement of financial position. However, per the corresponding disclosure note, US$ 0.8 million related to lease payments due after one year. Therefore, this has been reclassified to non-current liabilities, *refer to Note 23*.
(3) In the prior year, total derivative financial instruments were recognised as current liabilities on the face of the consolidated statement of financial position. As the derivative was expected to be settled after 12 months, the balance has been reclassified to non-current liabilities, *refer to Note 10*.

Basis of consolidation

These financial statements incorporate the financial statements of GMS and subsidiaries controlled by GMS. Management have 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 2020 and 2019 are as follows:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2020	2019	Type of Activity
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
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 of 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 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%	Special Purpose Vehicle (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

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2020	2019	Type of Activity
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"
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	**100%**	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

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 may be 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;
- Contract mobilisation revenue;
- Revenue from messing and accommodation services;
- Contract demobilisation revenue;
- Maintenance service income
- Maintenance income
- Lease income; 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 have applied a practical expedient and recognise revenue over time in accordance with paragraph B16 of 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, lease income and maintenance service income

Chartering of vessels, mobilisations, messing and accommodation services and maintenance service 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.

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.

3 Significant accounting policies (continued)

Revenue recognised at a point in time (continued)

Performance obligation 2 – Contract demobilisation revenue
Lump-sum fees received for equipment moves (and related costs) as part of demobilisations are recognised when the services relating to a demobilisation are rendered.

Performance obligation 3 – Maintenance income
Maintenance income relates to maintenance work which is carried out on vessels during times that the vessel is on hire. This is done as and when required, in accordance with agreed contractual daily rates. Maintenance revenue is recognised when the work takes place.

Performance obligation 4 – Sundry income
Sundry income relates to handling charges which are applied to costs which are paid by the Group and then recharged to the customer. The revenue is recognised when the costs are recharged to customers with the handling charge applied as this is when the performance obligation is complete and control has passed to the customer.

Deferred and accrued revenue

Clients are typically billed monthly in the same month services are rendered, however this may be delayed. 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 US$ 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.

There were no such remeasurements made during 2019 or 2020.

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, Plant 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

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 standard selling price. The Standard 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, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses (if any). The cost of property, plant 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, plant and equipment less their residual values over their useful lives, using the straight-line method. The 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	25 – 35 years
Land, buildings and improvements	3 – 20 years
Vessel spares, fittings and other equipment	3 – 20 years
Office equipment and fittings	3 – 5 years
Motor vehicles	3 years

Taking into consideration independent professional advice, management considers the principal estimated useful lives of vessels for the purpose of calculating depreciation to be 25 to 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, plant 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 period is allocated between cost of sales and administrative expenses, depending on the usage of the respective assets.

3 Significant accounting policies (continued)

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 but that relate to major works, overhaul/services, and 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 and start depreciating at the next dry docking period. 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.

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.

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 size 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.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

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.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation of those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Employees' end of service benefits
In accordance with the applicable Labour Laws of the UAE and Saudi Arabia, the Group is required to pay end of service benefits to all qualifying employees upon cessation of employment.

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 UAE and Saudi Arabia labour laws, 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$ 0.5 million (2019: US$ 0.5 million) represents the end of service benefit provision made to employees in accordance with the UAE and Saudi Arabia Labour Laws.

Foreign currencies
The Group's consolidated financial statements are presented in US Dollars (US$), which is also the functional currency of the Company. 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 transactions entered into to hedge certain foreign currency risks; and
- 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. In identifying and quantifying adjusting items, the Group applies a policy that defines criteria that are required to be met for an item to be classified as adjusting. These adjusting items are separately disclosed in *Note* 31. The Group believes that these items are useful to users of the Group financial statements in helping them to understand the underlying business performance and 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 loss and adjusted diluted loss per share, all of which are before the impact of adjusting items and which are reconciled from operating profit/loss, loss before taxation and diluted earnings per share. Adjusting items include but are not limited to impairment charges, restructuring costs, exceptional legal costs and non-operational finance related costs.

3 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit/(loss) before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of the assets and liabilities in the 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 are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, and 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.

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 cash on hand and balances held with banks with original maturities of three months or less.

Trade and other receivables
Trade and other receivables (excluding prepayments and advances to suppliers) 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.

ECL's are recognised in three stages. Credit exposures for which there has not been a significant increase in credit risk since initial recognition, are allocated to stage 1 and ECL's are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

ECL's migrate to stage 2 for those credit exposures for which there has been a significant increase in credit risk since initial recognition, and a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance 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$ 0.1 million as at 31 December 2020 (31 December 2019: US$ 0.1 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.

3 Significant accounting policies (continued)

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 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, loans from related parties, 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 LIBOR 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.

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") and cross currency interest rate swaps ("CCIRS") as hedging instruments. The Group designates the change in fair value of the entire derivative contracts in its cash flow hedge relationships.

For any other 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.

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.

Embedded derivatives
The Group considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the entire instrument is not measured 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.

The following are the critical accounting judgements and key sources of estimation, which management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial information.

Critical accounting judgements

The following are the critical judgements that the Directors have made in applying the Group's accounting policies that have the most significant effect in the amounts recognised in the financial statements.

Accounting treatment of the new loan facility
On 16 June 2020 the terms of the Group's bank facilities were renegotiated and under IFRS 9 each time borrowings are modified a test is required to compare the present value of the cashflows under the new terms against the original loan terms to determine whether there is a 'substantial modification' (greater than ten per cent difference in the net cashflows between the old and new facility). Where this is the case, the old facility should be extinguished and the related refinancing costs expensed rather than being deferred in the carrying value of the debt.

Under the renegotiated facility agreement signed on 16 June 2020, either US$ 75 million of new equity was required to be raised by 31 December 2020, or warrants for up to 20% of the equity of the Company would need to be issued to the lenders and PIK interest would apply to the outstanding balance of the loan from 1 January 2021 or the facility would be in default. In order to model the expected cash flows after modification, a judgement was therefore required to be made at the inception of the renegotiated facility as to whether the more likely outcome was that the Company would successfully raise US$ 75 million prior to 31 December 2020 or that PIK interest would apply and warrants issued.

To determine the more likely scenario, management considered evidence and facts available to them at 16 June 2020 which included:

Lack of support from major shareholders – Seafox the Company's largest shareholder, holding 29.9% of the shares of the Company, had stated publicly that they would not support a US$ 75 million equity raise. Other major shareholders, prior to finalising the renegotiated deal on 16 June 2020 were approached however only a minority representing 38% of the share capital of the Company actually offered their support of an equity raise, with some of these shareholders subsequently selling their shareholding shortly after offering support.

- Dilution of existing shareholders that did not support an equity raise – If a shareholder agreed to the Company increasing the share capital sufficiently but did not actually partake in the equity raise themselves then due to the low market capitalisation of the Company at the time and the quantum of new equity required, they would have suffered significant dilution to their investment to such an extent that it would be unlikely that they would agree to such and that issuing warrants and paying PIK interest would be a more attractive alternative.

- No further financial outlay – The PIK interest and warrants option offered existing shareholders an alternative that meant that they were not required to provide any financial support to the Company. The Company would still have relatively high leverage if they successfully raised US$ 75 million and there would be no guarantee that shareholders could be asked in the future for further support if the recovery of the Company did not go as planned.

4 Key sources of estimation uncertainty and critical accounting judgements (continued)

Critical accounting judgements (continued)

Based on the points above, management believe that the assumption that PIK interest would apply and warrants be issued was the more likely outcome and therefore any contingent cashflows associated with them should be factored into the debt modification test carried out when the renegotiated facility was put in place. As a result of which a substantial modification existed resulting in the extinguishment of the old facility and the US$ 15.8 million of costs incurred in renegotiating the new facility expensed.

This represents a change in judgement from the position previously taken for the interim reporting for the period ended 30 June 2020. The Board believe this was an error in judgement as it failed to fully take into account the factors above, as further described in *Note 2*.

Key sources 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.

Impairment of property, plant and equipment

In accordance with the requirements of IAS 36 – Impairment of Assets (IAS 36), the Group, in circumstances in which indicators of impairment are identified, performs a formal impairment assessment to evaluate the carrying amounts of the Group's vessels to determine whether there is any indication that those vessels have suffered an impairment loss. Indicators of impairment can either be from internal or external sources. A vessel is considered impaired if the carrying amount of the vessel exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The market capitalisation of the Group continues to be lower than the net asset value as the Group has been unable to achieve the recovery previously anticipated following ongoing challenging market conditions and uncertainty in respect of the Group's capital structure. These conditions and specifically the continued low share price were identified as indicators of impairment and in accordance with IAS 36 the Group performed an impairment assessment which led to a charge of US$ 87.2 million being recognised at 31 December 2020 (31 December 2019: US$ 59.1 million) (*Note* 6).

Management have obtained an independent broker valuation of its vessels as at 21 February 2021 for the purpose of its banking covenant compliance requirements.

However, Management do not consider these broker 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 "willing buyer and willing seller" transactions in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations as to the accuracy of these valuations, management have concluded that the most reliable basis of the vessels' recoverable amount to be value in use.

The projection of cash flows related to vessels is complex and requires the use of a number of estimates, the primary ones being future day rates and vessel utilisation and discount rates. In assessing value in use, the estimated future cash flows are discounted to their present value using a nominal pre-tax discount rate of 10.56% (2019: 9.25%). 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 size premium, to determine an appropriate discount rate.

The near term assumptions used to derive future cash flows reflect the ongoing COVID-19 pandemic and current oil price environment. In the long term, the Group's core market is expected to remain in the Middle East which is expected to continue to benefit from the low production costs for oil and gas in the region, the current appetite of NOCs to increase production and the reliance the local governments have on revenues derived from oil and gas. Balanced against these factors, it is considered unlikely that demand for the Group's vessels will be significantly impacted by either the increased focus on climate change or energy transition beyond the extent reflected in management's assumptions and sensitivities below.

As at 31 December 2020, the total recoverable amount of the fleet as at 31 December 2020 was US$ 664.0 million (2019: US$ 714.2 million). Refer to *Note 6* for further details including sensitivity analysis.

5 Property, plant and equipment

	Vessels US$'000	Capital work -in-progress US$'000	Land, building and improvements US$'000	Vessel spares, fitting and other equipment US$'000	Others US$'000	Total US$'000
Cost						
At 1 January 2019	908,851	12,765	10,469	60,774	3,700	996,559
Additions	–	4,913	–	–	–	4,913
Transfers	12,438	(12,821)	19	285	79	–
Disposals	–	–	–	(37)	(49)	(86)
Write off	(1,597)	–	–	(279)	(60)	(1,936)
Reclassification to vessel held for sale *(Note 12)*	(35,195)	–	–	–	–	(35,195)
At 31 December 2019	884,497	4,857	10,488	60,743	3,670	964,255
Additions	–	6,208	–	–	–	6,208
Transfers	5,695	(7,138)	–	1,163	280	–
Disposals	(180)	–	(5,387)	–	(1,660)	(7,227)
Write off	–	–	(5,101)	(2,004)	(323)	(7,428)
At 31 December 2020	**890,012**	**3,927**	**–**	**59,902**	**1,967**	**955,808**
Accumulated depreciation						
At 1 January 2019	176,274	–	7,167	11,002	3,521	197,964
Eliminated on disposal of assets	–	–	–	(37)	(49)	(86)
Write off	(1,597)	–	–	(279)	(60)	(1,936)
Depreciation expense *(Note 38)*	25,743	–	847	3,137	122	29,849
Impairment*	56,280	2,845	–	–	–	59,125
Reclassification to vessel held for sale *(Note 12)*	(34,895)	–	–	–	–	(34,895)
At 31 December 2019	221,805	2,845	8,014	13,823	3,534	250,021
Eliminated on disposal of assets	–	–	(3,269)	–	(1,586)	(4,855)
Write off	–	–	(5,101)	(2,004)	(323)	(7,428)
Depreciation expense (*Note 38*)	22,444	–	356	2,955	82	25,837
Impairment*	87,156	–	–	–	–	87,156
At 31 December 2020	**331,405**	**2,845**	**–**	**14,774**	**1,707**	**350,731**
Carrying amount						
At 31 December 2020	**558,607**	**1,082**	**–**	**45,128**	**260**	**605,077**
At 31 December 2019	662,692	2,012	2,474	46,920	136	714,234

Depreciation amounting to US$ 25.8 million (2019: US$ 29.8 million) has been charged to the profit and loss, of which US$ 25.5 million (2019: US$ 29.0 million) was allocated to cost of sales (*Note 30*). 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$ 558.6 million (2019: US$ 662.7 million), have been mortgaged as security for the loans extended by the Group's banking syndicate *(Note 22)*.

During the prior year, Naashi, a non-core vessel and the oldest in the GMS fleet at 37 years was reclassified from Vessels to a Non-current asset held for sale. A Letter of Intent was signed to sell the vessel for proceeds amounting to US$ 0.6 million. In the current year the associated mortgage was released, and the sale was completed. This led to a gain on disposal of US$ 0.3 million net of costs to sell the vessel, refer to *Note 12* for further details.

Impairment

The market capitalisation of the Group continues to be lower than the net asset value as the Group has been unable to achieve the recovery previously anticipated following ongoing challenging market conditions and uncertainty in respect of the Group's capital structure. These conditions and specifically the continued low share price were identified as indicators of impairment and accordingly the Group undertook a full assessment of the recoverable amount of its assets as at 31 December 2020.

Management have obtained an independent broker valuation of its vessels as at 21 February 2021 for the purpose of its banking covenant compliance requirements. However, Management do not consider these broker 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 "willing buyer and willing seller" transactions in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations as to the accuracy of these valuations, management have concluded that the most reliable basis of the vessels' recoverable amount to be value in use.

The review was performed for each cash-generating unit (being vessels) by identifying the value in use of each vessel and associated spares fittings and CWIP in the fleet, based on management's projections of future utilisation, day rates and associated cash flows.

5 Property, plant and equipment (continued)

Impairment (continued)

The near term assumptions used to derive future cash flows reflect the ongoing COVID-19 pandemic and current oil price environment. In the long term, the Group's core market is expected to remain in the Middle East which is expected to continue to benefit from the low production costs for oil and gas in the region, the current appetite of NOCs to increase production and the reliance the local governments have on revenues derived from oil and gas. Balanced against these factors, it is considered unlikely that demand for the Group's vessels will be significantly impacted by either the increased focus on climate change or energy transition beyond the extent reflected in management's assumptions and sensitivities below.

The most difficult and subjective judgements made by management in the estimation of value in use include longer term forecasts of day rates and utilisation (i.e. after the expiry of existing contracts) including the degree of improvement in the market from recent lows and the nominal pre-tax discount rate.

The below table details the movement in day rate and utilisation assumptions from those currently secured against the long term assumptions used to forecast future cash flows from 2025 for the remainder of each vessels useful economic life:

Vessel class	Utilisation change % on 2021 levels	Day rate increase % on 2021 levels
E-Class	12	39
S-Class	–	22
K-Class	(9)	22

Management's longer term forecasts take account of the outlook for each vessel having regard to their specifications relative to expected customer requirements, as well as broader longer term trends including climate change, as described above.

Management's forecast of long term day rates from 2025 onwards for K-Class vessels that were impaired are 7% lower than the Company's prior year assumptions. Forecast long term utilisation is 79% (2019: 94% average across the K-Class vessels). Management's forecast of long term rates for E-Class vessels are 14% lower than the Company's prior year assumptions and forecast long term utilisation is 84% on average across E-Class vessels (2019: 80% average).

The risk adjusted cash flows have been discounted using a nominal pre-tax discount rate of 10.56% (2019: 9.25%), which reflects the current market assessment of the time value of money and is based on the Group's weighted average cost of capital. The discount rate has been calculated using industry sector average betas, risk free rates of return as well as any specific adjustments for country risk and tax regimes in the countries in which the Group operate and a size premium to reflect the Group's current low market capitalisation.

This review led to the recognition of an aggregate impairment charge of US$ 87.2 million on five K-Class vessels and two E-Class vessels. Details of the impairment charge by cash-generating unit, along with the associated recoverable amount reflecting its value in use, are provided below:

Cash Generating Unit	Impairment charge US$'000	Recoverable amount US$'000
Endurance	25,472	56,605
Enterprise	554	77,322
Keloa	24,740	12,463
Kudeta	13,722	14,230
Kikuyu	13,401	12,050
Kawawa	9,009	12,891
Kamikaze	258	19,124
Total	**87,156**	**204,685**

The impairments recognised on the Group's K-Class fleet (excluding Pepper) reflect a decline in forecast utilisation for these vessels and only a modest recovery of day rates as the market recovers. The NOCs have indicated a preference for vessels that are larger, and in some cases, particularly in Qatar and Saudi Arabia, able to work in deeper water than the K-Class are capable of. As a result, the main use of these vessels is now expected to be on contracts for engineering, procurement and construction ("EPC") clients, which are typically shorter in duration which is likely to impact utilisation with short gaps expected between contracts and only modest improvements in day rates as the market recovers due to a smaller pipeline of future opportunities.

The impairments recognised on the two E-Class vessels reflect the fact that both vessels, which were built and previously priced for operating in harsh environments (including the UKCS), are now located in the MENA region where this capability is not a requirement for clients based there. Consequently, whilst Management continue to expect the vessels to remain in demand and for an improvement in day rates as the market recovers, they are unlikely to achieve the rate premium previously assumed. No impairment or reversals have been identified for the remaining six cash-generating units i.e. one K-Class vessel, three S-Class vessels and two E-Class vessels (both of which were previously impaired in 2019).

An aggregate impairment of US$ 54.6 million was recognised on two E-Class vessels: US$ 23.0 million on Endeavour and US$ 31.6 million on Evolution in the year ended 31 December 2019. These two E-Class vessels were not further impaired in 2020, nor was any of the previous impairment reversed, as there was immaterial headroom on both vessels when comparing their recoverable amounts to their carrying amounts and such headroom was eliminated by a small change in the underlying assumptions. Refer to *Note 4* for further details. The total recoverable amount of the fleet as at 31 December 2020 was US$ 664.0 million.

Key Assumption Sensitivities

The Group has conducted an analysis of the sensitivity of the impairment test to reasonably possible changes in the key assumptions (day rates, utilisation and nominal pre-tax discount rates) used to determine the recoverable amount for each vessel. The first sensitivity modelled a 10% increase/reduction to projected revenue for the remaining useful economic life. A further sensitivity was modelled where a 1% increase/decrease was applied to the pre-tax discount rate mentioned above.

The results on the first sensitivity indicated that a 10% decrease to revenue would lead to an additional impairment charge of US$ 78.0 million, consisting of US$ 46.4 million on the vessels already impaired during the period, US$ 28.9 million on the other two E-Class vessels and US$ 2.7 million on one S-Class vessel. In comparison, a 10% increase to revenue would reduce the impairment charge booked in the period by US$ 30.9 million, consisting of US$ 19.7 million on the five K-Class vessels and US$ 11.2 million on Endurance and Evolution. The remaining cash generating units would have sufficient headroom under this scenario and therefore no impairment was identified. In addition a 10% improvement on revenue would lead to a potential reversal of impairment taken in 2019 on two vessels totalling US$ 26.7 million, on Endeavour (US$ 13.5 million) and Evolution (US$ 13.2 million). The total recoverable amounts of the fleet under the reduced revenue sensitivity as at 31 December 2020 would have been US$ 541.2 million and US$ 784.3 million for the increased revenue sensitivity.

The results on the second sensitivity indicated that a 1% decrease to the nominal pre-tax discount rate would lead to a reduction of the impairment charge booked during the period of US$ 10.1 million, consisting of US$ 4.6 million on the five K-Class vessels and US$ 5.5 million on the two E-Class vessels. In comparison, a 1% increase to the nominal pre-tax discount rate would lead to an increase to the impairment charge booked during the period of US$ 26.1 million, consisting of US$ 14.8 million on the K-Class vessels and US$ 11.3 million on the two E-Class vessels. The total recoverable amounts of the fleet under the reduced nominal pre-tax discount rate sensitivity as at 31 December 2020 would have been US$ 721.2 million and US$ 614.1 million for the increased nominal pre-tax discount rate sensitivity.

6 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2020 US$'000	2019 US$'000
At 1 January	**5,454**	2,401
Expenditure incurred during the year	**8,011**	5,328
Amortised during the year *(Note 38)*	**(3,074)**	(2,275)
At 31 December	**10,391**	5,454

7 Right-of-use assets

	Buildings US$'000	**Communications equipment** US$'000	**Operating equipment** US$'000	**Total** US$'000
Cost				
At 1 January 2019	–	–	–	–
On adoption of IFRS 16	2,652		3,470	6,122
Additions	467	251	142	860
Derecognised	(2,103)	–	–	(2,103)
At 31 December 2019	1,016	251	3,612	4,879
Additions	1,063	–	2,176	3,239
At 31 December 2020	**2,079**	**251**	**5,788**	**8,118**
Accumulated amortisation				
At 1 January 2019	–	–	–	–
Amortisation for the year	1,172	7	1,712	2,891
Derecognised	(656)	–	–	(656)
At 31 December 2019	516	7	1,712	2,235
Amortisation for the year	599	84	1,860	2,543
At 31 December 2020	**1,115**	**91**	**3,572**	**4,778**
Carrying amount				
At 31 December 2020	**964**	**160**	**2,216**	**3,340**
At 31 December 2019	500	244	1,900	2,644

7 Right-of-use assets (continued)

The consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases.

	2020 US$'000	2019 US$'000
Depreciation of right of use assets	**2,543**	2,891
Expense relating to short term leases or leases of low value assets	**247**	551
Lease charges included in operating loss	**2,790**	3,442
Interest on lease liabilities	**182**	284
Lease charges included in loss before tax	**2,972**	3,726

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).

	2020 US$'000	2019 US$'000
Loss from continuing operations before tax	**(123,019)**	(81,769)
Tax at the UK corporation tax rate of 19%	**(23,374)**	(15,536)
Expense not deductible for tax purposes	**16,560**	11,234
Overseas taxes not based on profit	**1,144**	1,598
Increase in unrecognised deferred tax	**477**	361
Effect of different tax rates in overseas jurisdictions	**6,484**	4,185
Derecognised deferred tax asset	**–**	1,866
Prior year tax adjustment	**(6)**	(12)
Total tax charge	**1,285**	3,696

	2020 US$'000	2019 US$'000
Split between:		
Current tax	**1,285**	1,830
Derecognised deferred tax asset	**–**	1,866
Tax charge	**1,285**	3,696

During the year, tax on profits were 10% in Qatar (2019: 10%), 19% in the United Kingdom (2019: 19%) and 20% in Saudi Arabia (2019: 20%) applicable to the portion of profits generated outside of Saudi Arabia. The Group also incurred 2.5% Zakat tax (an obligatory tax in Islam to donate 2.5% of wealth each year) on the portion of profits generated in Saudi Arabia (2019: 2.5%).

The Group incurred 5% withholding taxes on revenue in Qatar (2019: 5%) and 5% on revenue in Saudi Arabia (2019: 5%). The withholding tax included in the current tax charge amounted to US$ 1.1 million (2019: US$ 1.5 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, as well as any changes to the share of the Group profits or losses which arise in tax paying jurisdictions.

At the balance sheet date, the Group has unused tax losses of US$ 20.0 million (2019: US$ 12.3 million), arising from UK operations, available for offset against future profits with an indefinite expiry period. In 2019 the Group relocated two E-Class vessels from the UK to the Middle East and Northern Africa (MENA) region. In line with prior year, the current year assessment was on the remaining 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 the deferred tax asset was derecognised during the year ended 31 December 2019 and no deferred tax asset has been recognised in the current year.

	2020 US$'000	2019 US$'000
At 1 January	**–**	1,866
Derecognised during the year	**–**	(1,866)
At 31 December	**–**	–

Factors affecting current and future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes have been measured at 19% which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the year end. No tax deferrals or other government assistance measures have been utilised in the either year.

9 Trade and other receivables

	2020 US$'000	2019 US$'000
Trade receivables (gross of allowances)	**24,207**	25,107
Less: Allowance for trade receivables	**(133)**	(128)
Trade receivables	**24,074**	24,979
Accrued revenue	**1,925**	48
Prepayments	**5,222**	9,844
Deposits*	**95**	2,621
Other receivables	**518**	1,693
At 31 December	**31,834**	39,185

* Deposits include guarantee deposits of US$ 0.1 million (2019: US$ 2.6 million). Guarantee deposits are paid by the Group for employee work visas under UAE labour laws. These deposits become refundable to the Group upon the cancellation of an employee's work visa. Work visas are not granted indefinitely in the UAE and as such these deposits which are currently held by the government in the UAE are refundable to the Group. These work visa deposits amounted to US$ 0.1 million (2019: US$ 0.2 million).

Gross trade receivables, amounting to US$ 24.2 million (2019: US$ 25.1 million), have been assigned as security against the loans extended by the Group's banking syndicate (*Note* 22).

Trade receivables and other receivables disclosed above are measured at amortised cost and are all current.

The standard credit period granted to customers is typically 30 – 60 days (2019: 30 – 60 days). Before accepting any new customer, the Group assesses the potential credit quality of the customer. The Group has policies in place to ensure that credit sales are rendered to customers with an appropriate credit history.

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 significant.

The movement in the allowance for ECL and doubtful receivables during the year was as follows:

	2020 US$'000	2019 US$'000
At 1 January	**128**	144
Movement of ECL provision during the year *(Note 38)*	**69**	(16)
Recovery of ECL provision *(Note 38)*	**(64)**	–
At 31 December	**133**	128

Trade receivables are considered past due once they have passed their contracted due date.

Included in the Group's trade receivables balance are receivables with a gross amount of US$ 3.0 million (2019: US$ 1.6 million) which are past due for 30 days or more at the reporting date. The average age of these past due receivables is 327 days (2019: 139 days). The majority of this overdue balance at US$ 1.6 million (US$ 0.6 million), relates to one customer where a settlement plan has been agreed. The client is up to date with all agreed payments. Excluding this balance gross trade receivables past 30 days amounted to US$ 1.4 million (US$ 1.0 million) and the average age was calculated at 238 days (2019: 100 days). 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	19,336	1,829	728	–	3	2,311	24,207
Less: Allowance for trade receivables	(80)	(4)	(2)	–	–	(47)	(133)
Net trade receivables 2020	**19,256**	**1,825**	**726**	**–**	**3**	**2,264**	**24,074**
Trade receivables	23,521	11	634	–	–	941	25,107
Less: Allowance for trade receivables	(54)	–	(2)	–	–	(72)	(128)
Net trade receivables 2019	23,467	11	632	–	–	869	24,979

Six customers (2019: eight) account for 99% (2019: 99%) of the total trade receivables balance (see revenue by segment information in Note 30); however, credit risk is considered to be limited due to historical performance and ongoing assessments of customer credit and liquidity positions.

10 Derivative financial instruments

Embedded derivative – contract to issue warrants

In June 2020, the Group restructured the terms of its borrowings with its lenders. These terms include warrants to be issued under the following conditions:

If GMS has not raised US$ 75.0 million of equity, GMS shall issue warrants to its lenders, by no later than 31 December 2020, in accordance with the following terms:

- Strike price at 9p
- Number of warrants that would give the lenders collectively 20% ownership of GMS
- Vesting: (i) 50% vest on 31 December 2021 and (ii) 50% vest on 30 June 2023, unless the Net Leverage ratio is below 4.0x
- If, at any time, GMS raised US$ 100 million of equity any warrant not yet vested at such date will cease to exist
- Upon vesting, the warrants are (i) exercisable in whole or in part, (ii) allocated pro rata to each lender and exercisable singly and separately (i.e. not as a syndicate), (iii) payable either in cash or in the form of settling the PIK outstanding at the time of exercise, and (iv) freely tradable
- Warrants to expire on 30 June 2025 (maturity date of the facilities)

The balance represents the fair value outstanding at 31 December 2020 with a value of US$ 1.4 million. As the derivative was expected to be settled after 12 months, the balance was recognised as a non-current liability.

As the terms of the loan facility contained separate distinguishable terms with a requirement to issue warrants to banks, management determined the debt facility to contain an embedded derivative. The Group was required to recognise the embedded derivative at fair value.

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo simulations. The fair value based on the valuation carried out as at 31 December 2020 was US$ 1.5 million. The valuation of the contract to issue warrants is dependent on a number of estimates, including the Company's share price, the Company's share price volatility and the Group's ability to raise equity. The weighted average risk-free rate was 0.10%. The valuation of fair value of the contract to issue warrants is more sensitive to changes to market capitalisation. A 10% increase in the assumed market capitalisation required to raise equity would result in a US$ 1.4 million increase in the fair value of warrants. A 10% decrease would result in a US$ 1.4 million decrease in their fair value.

During the year no warrants were issued.

Interest Rate Swap

The Group uses an interest rate swap to hedge the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. As discussed in the 2019 annual report, the Group's banks agreed to waive the testing requirement of all covenants for the December 2019 testing date. As cashflows of the hedging relationship were not highly probable in 2020, the hedge discontinued and the interest rate swap was reclassified to fair value through profit and loss. The IRS was expected to be settled after 12 months, therefore the balance as at 31 December 2019 was reclassified to non-current liabilities, refer to *Note 3*.

Cross Currency Interest Rate Swap

The Group uses a CCIRS hedges the volatility in GBP to USD exchange rates as well as variability in interest rate payments by converting a USD floating rate loan with USD repayments to a GBP fixed rate loan wherein both the GBP notional and coupon payments are fixed and matched to actual GBP receivables of highly probable forecast sales. During the year the CCIRS expired.

Derivative financial statements are made up as follows:

	Interest rate swap US$'000	Cross currency interest rate swap US$'000	Embedded derivative US$'000	Total US$'000
As at 1 January 2019	(781)	543	–	(238)
Loss on fair value changes of hedging instruments	(1,245)	(16)	–	(1,261)
Net hedging gain/(loss) on interest hedges reclassified to the profit or loss	289	(530)	–	(241)
As at 31 December 2019	(1,737)	(3)	–	(1,740)
As at 1 January 2020	(1,737)	(3)	–	(1,740)
Gain on fair value changes of hedging instruments	–	21	–	21
Net hedging gain/(loss) on interest hedges reclassified to the profit or loss	901	(18)	–	883
Net loss on changes in fair value of interest rate swap *(Note 37)*	(1,551)	–	–	(1,551)
Initial recognition and subsequent revaluation of embedded derivative *(Note 37)*	–	–	(1,449)	(1,449)
As at 31 December 2020	**(2,387)**	**–**	**(1,449)**	**(3,836)**

These statements include the cost of hedging reserve and cashflow hedge reserve which are detailed further in the Statement of Changes in Equity. These reserves are non-distributable.

Derivative financial instruments represent level 2 value measurements as defined by the fair value hierarchy according to IFRS 13.

11 Cash and cash equivalents

	2020 US$'000	2019 US$'000
Interest bearing		
Held in UAE banks	**55**	47
Non-interest bearing		
Held in UAE banks	**1,026**	10,966
Held in banks outside UAE	**2,717**	12
Total cash at bank and in hand	**3,798**	11,025

	2020 US$'000	2019 US$'000
Presented as:		
Restricted cash included in trade and other receivables *(Note 9)*	**–**	2,621
Cash and cash equivalents	**3,798**	8,404
Total	**3,798**	11,025

12 Vessel held for sale

During 2019, Naashi, a non-core vessel and the oldest in the GMS fleet at 37 years was reclassified from Vessels to a Non-current asset held for sale. In January 2020 the vessel was sold for US$ 0.6 million and the associated mortgage of the vessel was released.

	2020 US$'000	2019 US$'000
Cost		
At 1 January	**35,195**	–
Disposals	**(35,195)**	–
Reclassification from property, plant and equipment	**–**	35,195
At 31 December	**–**	35,195
Accumulated depreciation		
At 1 January	**34,895**	–
Disposals	**(34,895)**	–
Reclassification from property, plant and equipment	**–**	34,895
At 31 December	**–**	34,895
Carrying amount	**–**	300

13 Share capital

The Company was incorporated on 24 January 2014 with a share capital of 300 million shares at a par value of £1 each. On 5 February 2014, as part of a Group restructuring, the Company undertook a capital reduction by solvency statement, in accordance with s643 of the Companies Act 2006. Accordingly, the nominal value of the authorised and issued ordinary shares was reduced from £1 to 10p.

On 19 March 2014, the Company completed its initial public offering ("IPO") on the London Stock Exchange. A total of 49,527,804 shares with a par value of 10 pence per share were issued at a price of 135 pence (US$ 2.24) per share.

On 6 July 2017, the Company issued a total of 176,169 ordinary shares at a par value of 10 pence per share in respect of the Company's 2014 long-term incentive plan.

On 12 April 2018, the Company issued a total of 263,905 ordinary shares at par value of 10 pence per share in respect of the Company's 2015 long-term incentive plan.

On 2 April 2019, the Company issued a total of 519,909 ordinary shares at par value of 10 pence per share in respect of the Company's 2016 long-term incentive plan.

13 Share capital (continued)

The movement in issued share capital and share premium is provided below. The share capital of Gulf Marine Services PLC was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Total US$'000
At 31 December 2020			
Authorised share capital	**350,488**	**58,057**	**58,057**
Issued and fully paid	**350,488**	**58,057**	**58,057**
At 31 December 2019			
Authorised share capital	350,488	58,057	58,057
Issued and fully paid	350,488	58,057	58,057

Issued share capital and share premium account movement for the year were as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Share premium account US$'000	Total US$'000
At 1 January 2019	349,968	57,992	93,080	151,072
Shares issued under LTIP schemes	520	65	–	65
At 31 December 2019	350,488	58,057	93,080	151,137
Shares issued under LTIP schemes	–	–	–	–
At 31 December 2020	**350,488**	**58,057**	**93,080**	**151,137**

14 Restricted reserve

Restricted reserve of US$ 0.3 million (2019: US$ 0.3 million) represents the statutory reserve of certain subsidiaries. As required by the UAE Commercial Companies Law, 10% of profit for the year is transferred to the statutory reserve until the reserve equals 50% of the share capital. This reserve is not available for distribution. No amounts were transferred to this reserve during either of the years shown.

15 Group restructuring reserve

The Group restructuring reserve arises 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, 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$ 3.7 million (2019: US$ 3.6 million) relates to awards granted to employees under the long-term incentive plans (Note 28). A charge of US$ 0.2 million (2019: US$ nil) in the year is included in restructuring and US$ nil, (2019: US$ 0.4 million) in the year is included in cost of sales and, general and administrative expenses in the statement of comprehensive income.

17 Capital contribution

The capital contribution reserve is as follows:

	2020 US$'000	2019 US$'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:

	2020 US$'000	2019 US$'000
At 1 January	**1,659**	1,346
Share of profit for the year	**35**	313
At 31 December	**1,694**	1,659

20 Provision for employees' end of service benefits

In accordance with UAE and Saudi Arabia Labour Laws, the Group 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:

	2020 US$'000	2019 US$'000
At 1 January	**2,280**	2,722
Provided during the year	**527**	537
Paid during the year	**(617)**	(979)
At 31 December	**2,190**	2,280

During the year, US$ nil (2019: US$ 0.1 million) was pre-paid in relation to accrued end of service benefits to certain employees.

21 Trade and other payables

	2020 US$'000	2019 US$'000 *Restated**
Trade payables	**12,251**	11,500
Due to a related party *(Note 24)*	**188**	136
Accrued expenses	**8,424**	12,084
Deferred revenue	**357**	3,359
Dividend payable *(Note 29)*	**–**	658
VAT payable	**943**	289
Other payables	**1,207**	94
	23,370	28,120

* Refer to Note 3 for details of prior year restatement.

The average credit period on purchases is 152 days (2019: 151 days). 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:

	2020 US$'000	2019 US$'000 *Restated**
Term loans	**388,558**	377,167
Working capital facility	**21,500**	25,000
	410,058	402,167

Bank borrowings are split between hedged and unhedged amounts as follows:

	2020 US$'000	2019 US$'000 *Restated**
Hedged bank borrowings from IRS	**38,462**	46,154
Hedged bank borrowings from CCIRS	**–**	2,513
Unhedged bank borrowings	**371,596**	353,500
	410,058	402,167

22 Bank borrowings (continued)

Bank borrowings are presented in the consolidated statement of financial position as follows:

	2020 US$'000	2019 US$'000 *Restated**
Non-current portion		
Bank borrowings	**379,009**	–
Current portion		
Bank borrowings – scheduled repayments within one year	**31,049**	92,949
Bank borrowings – scheduled repayments more than one year	**–**	309,218
	410,058	402,167

* Refer to Note 3 for details of prior year restatement.

In June 2020, the Group amended the terms of its loan facility. The principal terms of the outstanding facility as at 31 December 2020 are as follows:

- The facilities main currency is US$ and is repayable with a margin at 5% and final maturity in June 2025 (2019: December 2023).
- The revolving working capital facility amounts to US$ 50.0 million. US$ 25.0 million of the working capital facility is allocated to performance bonds and guarantees and US$ 25.0 million is allocated to cash of which US$ 21.5 million was drawn as at 31 December 2020, leaving US$ 3.5 million available for drawdown (31 December 2019: US$ nil).
- The facility remains secured by mortgages over its whole fleet, with a net book value at 31 December 2020 of US$ 558.6 million (2019: US$ 662.7 million). Additionally, gross trade receivables, amounting to US$ 24.2 million (2019: US$ 25.1 million) have been assigned as security against the loans extended by the Group's banking syndicate.
- The Group has also provided security against gross cash balances, being cash balances before restricted amounts included in trade and other receivables, amounting to US$ 3.8 million which have been assigned as security against the loans extended by the Group's banking syndicate.
- The amended terms contained contingent conditions such that if an equity raise of US$ 75.0 million did not take place by 31 December 2020, PIK interest would accrue and warrants would be due to the banking syndicate, refer to Note 10 for details of warrants valuation.
- The facility is subject to certain financial covenants including; Debt Service Cover; Interest Cover; Net Leverage Ratio; and Security Cover (loan to value). There was also an additional covenant relating to general and administrative costs, and restrictions to payment of dividends until leverage falls below 4.0 times.

On 31 December 2020, the Group's banking syndicate agreed to extend certain obligations on the Group, which it was otherwise required to have met including the requirement to issue warrants to the banks and accrue PIK interest. This meant the Group was not in an event of default as at 31 December 2020. This was further extended in January 2021 and February 2021. As the waiver received in December led to a revision to timing of payments, management assessed the fair value of remaining cashflows as at 31 December 2020.

As at 31 December 2020, the loan facility was remeasured with a gain of US$ 1.5 million (2019: nil) being recognised in the profit and loss (Note 37). The remeasurement of the bank borrowings was determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, using appropriate effective interest rates.

In March 2021, the Group signed a term sheet with its bank agreeing significantly improved terms. The amendment was finalised and loan documentation signed in April 2021. Improved terms include the following:

- Reduction in margin from 5% to 3%. Capital payments increased corresponding to any interest saved from the margin reduction.
- Requirement of US$ 25 million equity to be raised by 30 June 2021 and a further US$ 50 million by 31 December 2022.

Please see Note 40 for further details.

	Outstanding amount				
	Current US$'000	Non-current US$'000	Total US$'000	Security	Maturity
31 December 2020:					
Term loan – scheduled repayments within one year	**9,549**	**–**	**9,549**	**Secured**	**June 2025**
Term loan – scheduled repayments within more than one year	**–**	**379,009**	**379,009**	**Secured**	**June 2025**
Working capital facility – scheduled repayment within one year	**21,500**	**–**	**21,500**	**Secured**	**June 2025**
	31,049	**379,009**	**410,058**	**–**	**–**
31 December 2019 *Restated*:					
Term loan – scheduled repayments within one year	67,949	–	67,949	Secured	December 2023
Term loan – scheduled repayments within more than one year	309,218	–	309,218	Secured	December 2023
Working capital facility – scheduled repayment more than one year	25,000	–	25,000	Secured	December 2023
	402,167	–	402,167	–	–

23 Lease liabilities

	2020 US$'000	2019 US$'000
As at 1 January	**1,954**	–
Recognition of new lease liabilities on adoption of IFRS 16	**–**	6,122
Recognition of new lease liability additions	**3,239**	860
Derecognition of lease liabilities	**–**	(1,593)
Interest on finance leases *(Note 37)*	**182**	284
Principal elements of lease payments	**(1,871)**	(3,433)
Interest paid	**(193)**	(286)
As at 31 December	**3,311**	1,954
Maturity analysis:		
Year 1	**1,739**	1,204
Year 2	**826**	355
Year 3 – 5	**746**	395
Onwards	**3,311**	1,954
Split between:		
Current	**1,739**	1,204
Non-current	**1,572**	750
	3,311	1,954

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 2020, there were nil shares held by Directors (31 December 2019: nil).

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 72. The other related party during the year was:

Partner in relation to Saudi Operations	Relationship
Abdulla Fouad Energy Services Company	Minority shareholder in GMS Saudi Arabia Ltd.

Refer to *Note 21* for details of the amount due to the related party.

Significant transactions with the related party during the year:

	2020 US$'000	2019 US$'000
Rentals property from Abdulla Fouad	**54**	112
Rentals of breathing equipment from Abdulla Fouad	**524**	927

Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year were as follows:

	2020 US$'000	2019 US$'000
Short-term benefits	**1,165**	2,902
Termination payments	**1,161**	582
End of service benefits	**94**	125
Share based payment charge (LTIPs)	**141**	21
	2,561	3,630

24 Related party transactions (continued)

Compensation of key management personnel (continued)

Compensation of key management personnel represents the charge to the profit or loss in respect of the remuneration of the executive and non-executive Directors. At 31 December 2020, there were four members of key management personnel (2019: four members). During 2020 the Board was replaced; the previous Board's remuneration is included in the disclosure above. During 2019, the previous Board was also replaced; their remuneration is included in the 2019 comparatives. Further details of Board remuneration and the termination of key management personnel are contained in the Directors' Remuneration Report on page 61.

25 Contingent liabilities

At 31 December 2020, the banks acting for Gulf Marine Services FZE, one of the subsidiaries of the Group, had issued bid bonds, performance bonds and labour guarantees amounting to US$ 15.9 million (2019: US$ 17.4 million) all of which were counter-indemnified by other subsidiaries of the Group.

26 Commitments

	2020 US$'000	2019 US$'000
Contractual capital commitments	**7,470**	3,582

Capital commitments comprise mainly capital expenditure, which has been contractually agreed with suppliers for future periods for equipment or the refurbishment of existing vessels.

27 Financial instruments

Categories of financial instruments

	2020 US$'000	2019 US$'000
Financial assets:		
Current assets at amortised cost:		
Cash and cash equivalents *(Note 11)*	**3,798**	8,404
Trade receivables and other receivables *(Note 9)*	**26,517**	29,341
Total financial assets	**30,315**	37,745

	2020 US$'000	2019 US$'000 *Restated**
Financial liabilities:		
Derivatives recorded at FVTPL:		
Interest rate swap *(Note 10)*	**2,387**	1,737
Cross currency interest rate swap *(Note 10)*	**–**	3
Embedded derivative *(Note 10)*	**1,449**	–
Financial liabilities recorded at amortised cost:		
Trade and other payables *(Note 21)*	**21,882**	24,336
Lease liabilities *(Note 23)*	**3,311**	1,954
Current bank borrowings – scheduled repayments within one year *(Note 22)*	**31,049**	92,949
Current bank borrowings – scheduled repayments more than one year *(Note 22)*	**–**	309,218
Non-current bank borrowings – scheduled repayments more than one year *(Note 22)*	**379,009**	–
Total financial liabilities	**439,087**	430,197

* Refer to Note 3 for details of prior year adjustment.

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.

	2020 US$'000	2019 US$'000 *Restated**
Financial liabilities:		
Recognised at level 2 of the fair value hierarchy:		
Interest rate swap *(Note 10)*	**2,387**	1,737
Cross currency interest rate swap *(Note 10)*	**–**	3
Embedded derivative *(Note 10)*	**1,449**	–
Total recognised at level 2 of the fair value hierarchy:	**3,836**	1,740

* Refer to Note 3 for details of prior year adjustment.

Capital risk management

The Group uses interest rate swap derivatives to hedge volatility in exchange rates and in interest rates. These were previously formally designated into hedge accounting relationships. As disclosed in the 2019 annual report, the Group's banks agreed to waive the testing requirement of all covenants for the December 2019 testing date. As the cashflows of the hedging relationship subsequent to 31 December 2019 were not highly probable, the hedge discontinued in 2020 and the interest rate swap was reclassified to fair value through profit and loss. As a result, US$ 1.6 million was recognised in relation to the loss on change in fair value of the interest rate swap in the current year *(Note 37)*.

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, however under the revised banking terms signed in March 2021, a minimum of US$ 75 million has to be raised prior to 31 December 2022 in order to accelerate payments towards term debt. This along with maximising cash wherever possible, the Group looks to delever the Company over the coming years. The capital structure of the Group consists of net bank debt and total equity.

Significant accounting policies

Details of the significant 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 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. In December 2020 an agreement was reached between the United Kingdom ("UK") and the European Union ("EU") for the UK to exit the EU ("Brexit"). The Group has considered the risks arising from Brexit and on amounts presented in these consolidated financial statements. As the majority of the Group's operations and our lending syndicate are in the Middle East, our UK office was closed at the end of 2019 and there is currently one vessel working in North West Europe, the exposure is not considered to be significant beyond the foreign currency described later.

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 bank balances.

The Group has adopted a policy of only dealing with creditworthy counterparties which have been determined based on information available and other financial analysis, such that significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be suitably low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

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 totalled US$ 3.8 million (2019: US$ 11.0 million), deposited with banks with Fitch short-term ratings of F2 to F1+ (*Refer to Note 11*).

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 ten Middle East and two international companies, including international oil companies and engineering, procurement and construction ("EPC") contractors. At 31 December 2020, these 10 companies accounted for 99% (2019: 16 companies accounted for 100%) 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.

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.

27 Financial instruments (continued)

Liquidity risk management (continued)

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:

	Interest rate	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000
31 December 2020				
Non-interest bearing financial assets		**30,260**	**–**	**–**
Interest bearing financial assets		**55**	**–**	**–**
		30,315	**–**	**–**
Non-interest bearing financial liabilities		**21,882**	**–**	**–**
Interest bearing financial liabilities	**5.2%–7.0%**	**29,618**	**24,428**	**493,603**
		51,500	**24,428**	**493,603**

	Interest rate	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000
31 December 2019 *Restated*				
Non-interest bearing financial assets		35,077	2,621	–
Interest bearing financial assets		47	–	–
		35,124	2,621	–
Non-interest bearing financial liabilities		26,290	–	–
Interest bearing financial liabilities	7.1%–7.8%	406,118	19,441	50,897
		432,408	19,441	50,897

Interest rate risk management

The Group is exposed to cash flow interest rate risk on its bank borrowings which are subject to floating interest rates.

The Group uses an IRS to hedge a notional amount of US$ 50.0 million (2019: US$ 50.0 million). The remaining amount of notional hedged from the IRS as at 31 December 2020 was US$ 38.5 million (2019: US$ 46.2 million). The IRS hedges the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. The fair value of the IRS as at 31 December 2020 was a liability value of US$ 2.4 million (2019: US$ 1.7 million), (see Note 10 for more details). As noted above the hedge discontinued on 1 January 2020 and the interest rate swap was reclassified to fair value through profit and loss.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared on the unhedged portion of debt and assumes the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 20 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 20 basis points higher/lower (2019: 50 basis points higher/lower) and all other variables were held constant, the Group's loss for the year ended 31 December 2020 would decrease/increase by US$ 0.7 million (2019: decrease/increase US$: 2.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign currency risk management

The majority of the Group's transactions are denominated in UAE Dirhams, Euros, US Dollars and Pound Sterling. As the UAE Dirham and Saudi Riyal are pegged to the US Dollar, balances in UAE Dirham and Saudi Riyals 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.

Brexit could impact Group operations and our exposure to transactions in pound sterling, creating foreign currency risk for transactions entered into by the Group in pound sterling. Management continue to monitor changes in legislation and future policies and will develop suitable mitigants as developments unfold.

During the year ended 31 December 2018, the Group entered into a CCIRS to hedge a notional amount of US$ 36.7 million. The CCIRS hedges the volatility in GBP to USD exchange rates as well as variability in interest rate payments by converting a USD floating rate loan with USD repayments to a GBP fixed rate loan wherein both the GBP notional and coupon payments are fixed and matched to actual GBP receivables of highly probable forecast sales. As at 31 December 2020, the amount of notional hedged from the CCIRS was US$ nil (2019: US$ 2.5 million) and the fair value of the CCIRS was US$ nil (2019: US$ nil), as the CCIRS expired during the year (see Note 10 for more details).

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	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
US Dollars	**19,193**	20,923	**6,239**	6,011
UAE Dirhams	**103**	2,923	**3,347**	3,070
Saudi Riyals	**6,719**	5,216	**738**	285
Pound Sterling	**315**	10	**1,054**	1,644
Euros	**23**	2,184	**535**	412
Qatari Riyals	**1,652**	2,255	**210**	54
Norwegian Krone	**–**	–	**126**	22
Others	**–**	–	**2**	2
	28,005	33,511	**12,251**	11,500

At 31 December 2020, if the exchange rate of the currencies other than the UAE Dirham and Saudi Riyal had increased/decreased by 10% against the US Dollar, with all other variables held constant, the Group's loss for the year would have been higher/lower by US nil (2019: higher/lower by US$ 0.1 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 has Long Term Incentive Plans ("LTIPs") which were granted to senior management, managers and senior offshore officers. The details of the senior management LTIPs are contained in the Directors' Remuneration Report on page 63.

From 2019 onwards the employment condition is that each eligible employee of the Company must remain in employment during the three year vesting period. LTIPs have been aligned to the Company's share performance therefore only financial metrics will be applied. The time-dependent element of the LTIPs has been removed in awards since 2019. EPS ("Earnings Per Share") has been dropped as the financial metric and TSR ("Total Shareholder Return") is now the sole financial metric.

In the prior years, the release of these shares was conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards, performance against three-year target EPS compound annual growth rates. 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 simulations, 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 market performance condition, 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, which for the Group mainly related to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, 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:

	2020 No	2019 No
At the beginning of the year	**8,768,294**	9,814,485
Granted in the year	**2,661,388**	3,425,775
Exercised during the year	**–**	(519,909)
Forfeited in the year	**(4,856,453)**	(1,424,494)
Lapsed	**–**	(2,527,563)
At end of the year	**6,573,229**	8,768,294
Exercisable at the end of the year	**–**	–

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2020 was 1.0 years (2019: 1.9 years). The weighted average fair value of shares granted during the year was US$ 0.10 (2019: US$ 0.70).

28 Long term incentive plans (continued)

Outlined below is a summary of the assumptions which have been used to determine the fair value of the share awards:

	LTIP	LTIP	LTIP
Grant date	**29 May 2020**	15 November 2019	23 March 2018
Share price	**£0.09**	£0.08	£0.37
Expected volatility	**120%**	102.79%	52.89%
Risk-free rate	**0.01%**	0.48%	1.04%
Expected dividend yield	**0.00%**	0.00%	1.00%
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 taking into account the historical share price movements for a three year period up to the grant date (and of each of the companies in the comparator 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.

The charge arising from share-based payments is disclosed in *Note 16.*

29 Dividends

There was no dividend declared or paid in 2020 (2019: nil). No final dividend in respect of the year ended 31 December 2020 is to be proposed at the 2021 AGM.

During the year ended 31 December 2017 and 31 December 2018, the Group's subsidiaries declared a dividend of US$ 0.3 and US$ 0.3 million respectively to non-controlling interests. Both these dividends were paid during 2020.

30 Segment reporting

Management have 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, (iii) E-Class vessels, which include the Endeavour, Endurance, Enterprise and Evolution vessels, and (iv) Other vessels, considered non-core assets, which does not form part of the K-, S- or E-Class vessels segments. The composition of the Other vessels segment, which are non-core assets, was amended in 2018, following the reclassification of the vessel Naashi from K-Class vessels to Other vessels. In 2019, Naashi was reclassified from Other vessels to a non-current asset held for sale. The sale was completed in January 2020 (refer to Note 12 for further details).

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		Segment adjusted gross profit/(loss)	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
K-Class vessels	**40,947**	37,313	**25,349**	23,200
S-Class vessels	**32,136**	35,422	**22,210**	23,578
E-Class vessels	**29,407**	35,984	**12,676**	18,779
Other vessels	**2**	2	**(10)**	(87)
	102,492	108,721	**60,225**	65,470
Less:				
Depreciation charged to cost of sales			**(25,524)**	(29,045)
Amortisation charged to cost of sales			**(3,073)**	(2,274)
Impairment charge			**(87,156)**	(59,125)
Gross loss			**(55,528)**	(24,974)
Restructuring costs			**(2,492)**	(6,322)
Exceptional legal costs			**(3,092)**	–
Other general and administrative expenses			**(12,632)**	(17,788)
Finance income			**15**	16
Finance expenses			**(46,740)**	(32,063)
Other income			**257**	529
(Loss)/gain on disposal of property, plant and equipment			**(2,073)**	14
Gain on disposal of assets held for sale			**259**	–
Foreign exchange loss, net			**(993)**	(1,181)
Loss for the year before taxation			**(123,019)**	(81,769)

The total revenue from reportable segments which comprises the K-, S- and E-Class vessels was US$ 102.5 million (2019: US$ 108.7 million). The Other vessels segment does not constitute a reportable segment per IFRS 8 *Operating Segments*.

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 chief operating decision makers on a segmental basis and are therefore not disclosed.

Information about major customers

During the year, two customers (2019: three) 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$ 39.3 million and US$ 17.7 million (2019: US$ 32.7 million, US$ 24.5 million and US$ 18.4 million). The revenue from these customers is attributable to the E-Class vessels, S-Class vessels and K-Class vessels reportable segments.

Geographical segments

Revenue by geographical segment is based on the geographical location of the customer as shown below.

	2020 US$'000	2019 US$'000
United Arab Emirates	**53,363**	35,671
Saudi Arabia	**17,745**	32,476
Qatar	**19,047**	13,411
Total – Middle East and North Africa	**90,155**	81,558
United Kingdom	**5,353**	20,498
Rest of Europe	**6,984**	6,665
Total – Europe	**12,337**	27,163
Worldwide Total	**102,492**	108,721

30 Segment reporting (continued)

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.

	2020 US$'000	2019 US$'000
Oil and Gas – Client Opex	**74,889**	73,587
Oil and Gas – Client Capex	**15,307**	7,971
Renewables	**12,296**	27,163
Total	**102,492**	108,721

Impairment losses of US$ 87.2 million (2019: US$ 59.1 million) were recognised in respect of property, plant and equipment (*Note 5*). These impairment losses were attributable to the following reportable segments:

	2020 US$'000	2019 US$'000
K-Class vessels	**61,130**	–
S-Class vessels	**–**	2,845
E-Class vessels	**26,026**	54,564
Other vessels	**–**	1,716
	87,156	59,125

	K-Class vessels US$'000	S-Class vessels US$'000	E-Class vessels US$'000	Other vessels US$'000	Total US$'000
2020					
Depreciation charged to cost of sales	**7,432**	**5,807**	**12,092**	**193**	**25,524**
Amortisation charged to cost of sales	**1,863**	**605**	**605**	**–**	**3,073**
Impairment charge	**61,130**	**–**	**26,026**	**–**	**87,156**
2019					
Depreciation charged to cost of sales	7,317	5,776	15,541	411	29,045
Amortisation charged to cost of sales	1,434	340	500	–	2,274
Impairment charge	–	2,845	54,564	1,716	59,125

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 2020			Year ended 31 December 2019		
	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	**102,492**	**–**	**102,492**	108,721	–	108,721
Cost of sales						
– Operating expenses	**(42,267)**	**–**	**(42,267)**	(43,251)	–	(43,251)
– Depreciation and amortisation	**(28,597)**	**–**	**(28,597)**	(31,319)	–	(31,319)
Impairment charge*	**–**	**(87,156)**	**(87,156)**	–	(59,125)	(59,125)
Gross profit/(loss)	**31,628**	**(87,156)**	**(55,528)**	34,151	(59,125)	(24,974)
General and administrative						
– Depreciation	**(313)**	**–**	**(313)**	(804)	–	(804)
– Amortisation of IFRS 16 Leases	**(2,543)**	**–**	**(2,543)**	(2,889)	–	(2,889)
– Other administrative costs	**(9,776)**	**–**	**(9,776)**	(14,095)	–	(14,095)
Restructuring costs**	**–**	**(2,492)**	**(2,492)**	–	(6,322)	(6,322)
Exceptional legal costs***	**–**	**(3,092)**	**(3,092)**	–	–	–
Operating profit/(loss)	**18,996**	**(92,740)**	**(73,744)**	16,363	(65,447)	(49,084)
Finance income	**15**	**–**	**15**	16	–	16
Finance expenses	**(30,495)**	**–**	**(30,495)**	(32,063)	–	(32,063)
Cost to acquire new bank facility****	**–**	**(15,797)**	**(15,797)**	–	–	–
Expensing of unamortised issue costs in relation to previous loan*****	**–**	**(448)**	**(448)**	–	–	–
Other income	**257**	**–**	**257**	529	–	529
(Loss)/gain on disposal of property plant and equipment	**(2,073)**	**–**	**(2,073)**	14	–	14
Gain on disposal of assets held for sale	**259**	**–**	**259**	–	–	–
Foreign exchange loss, net	**(993)**	**–**	**(993)**	(1,181)	–	(1,181)
Loss before taxation	**(14,034)**	**(108,985)**	**(123,019)**	(16,322)	(65,447)	(81,769)
Taxation charge	**(1,285)**	**–**	**(1,285)**	(3,696)	–	(3,696)
Loss for the year	**(15,319)**	**(108,985)**	**(124,304)**	(20,018)	(65,447)	(85,465)
Loss attributable to						
Owners of the Company	**(15,354)**	**(108,985)**	**(124,339)**	(20,331)	(65,447)	(85,778)
Non-controlling interests	**35**	**–**	**35**	313	–	313
Loss per share (basic and diluted)	**(4.38)**	**(31.10)**	**(35.48)**	(5.80)	(18.68)	(24.48)
Supplementary non statutory information						
Operating (loss)/profit	**18,996**	**(92,740)**	**(73,744)**	16,363	(65,447)	(49,084)
Add: Depreciation and amortisation	**31,453**	**–**	**31,453**	35,012	–	35,012
Non-GAAP EBITDA	**50,449**	**(92,740)**	**(42,291)**	51,375	(65,447)	(14,072)

* The impairment charge on certain vessels and assets have been added back to gross loss to arrive at adjusted gross profit for the year ended 31 December 2020 and 2019 (refer to Note 5 for further details). This measure provides additional information on the core profitability of the Group.

** Restructuring costs incurred are not considered part of the regular underlying performance of the business and so have been added back to arrive at adjusted loss for the year ended 31 December 2020 and 2019 (refer to Note 34 for further details). 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. See KPI section on page 26 for further details.

*** Exceptional legal costs incurred are not considered part of the regular underlying performance of the business and so have been added back to arrive at adjusted loss for the year ended 31 December 2020 (refer to Note 35 for further details). 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. See KPI section on page 26 for further details.

**** Costs incurred to arrange a new bank facility have been added back to loss before taxation to arrive at adjusted loss for the year ended 31 December 2020. 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. See KPI section on page 26 for further details.

***** The expensing of unamortised issue costs in relation to previous loan has been added back to loss before taxation to arrive at adjusted loss for the year ended 31 December 2020. 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. See KPI section on page 26 for further details.

32 Loss per share

	2020	2019
Loss for the purpose of basic and diluted loss per share being loss for the year attributable to Owners of the Company (US$'000)	**(124,339)**	(85,778)
Loss for the purpose of adjusted basic and diluted loss per share (US$'000) *(Note 31)*	**(15,354)**	(20,331)
Weighted average number of shares ('000)	**350,488**	350,357
Weighted average diluted number of shares in issue ('000)	**350,488**	350,357
Basic loss per share (cents)	**(35.48)**	(24.48)
Diluted loss per share (cents)	**(35.48)**	(24.48)
Adjusted loss per share (cents)	**(4.38)**	(5.80)
Adjusted diluted loss per share (cents)	**(4.38)**	(5.80)

Basic loss per share is calculated by dividing the loss 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 loss per share is calculated on the same basis but uses the loss for the purpose of basic loss 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 in the prior year. The adjusted loss per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted loss per share is calculated by dividing the loss 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 share-based payment charge outstanding during the year. As the Group incurred a loss in 2020 and 2019, diluted loss per share is the same as loss per share, as the effect of share-based payment charge is anti-dilutive.

Adjusted diluted loss per share is calculated on the same basis but uses adjusted loss (Note 31) attributable to equity holders of the Company.

The following table shows a reconciliation between the basic and diluted weighted average number of shares:

	2020 '000s	2019 '000s
Weighted average basic number of shares in issue	**350,488**	350,357
Weighted average diluted number of shares in issue	**350,488**	350,357

33 Revenue

	2020 US$'000	2019 US$'000
Charter hire	**60,797**	59,060
Lease income	**33,252**	39,144
Messing and accommodation	**5,506**	7,724
Mobilisation and demobilisation	**1,030**	1,639
Maintenance service	**1,267**	–
Sundry income	**640**	832
Maintenance	**–**	322
	102,492	108,721

Included in mobilisation and demobilisation income is an amount of US$ 0.3 million (2019 US$ 0.1 million) that was included as deferred revenue at the beginning of the financial year.

Further descriptions on the above types of revenue have been provided in *Note 3*.

34 Restructuring costs

During 2019, the organisational structure was simplified with a number of management posts removed and not replaced. In addition, the operational footprint was reviewed and certain operations in the UK and MENA were closed. Consultancy costs incurred mainly relate to legal advice on restructuring and Board changes. In 2020, further restructuring occurred.

The total estimated restructuring costs is expected to be US$ 9.1 million, of which US$ 6.3 million was incurred in 2019 and US$ 2.5 million was incurred in 2020. At 31 December 2020 the remaining provision was US$ 0.3 million (31 December 2019: US$ 1.9 million), which is expected to be fully utilised over the next 12 months.

	2020 US$'000	2019 US$'000
Staff costs	**1,862**	4,269
Consultancy fees	**403**	1,489
Business travel	**82**	197
Office/port closures	**145**	367
	2,492	6,322

35 Exceptional legal costs

During the year, as a result of the non-binding proposed offer to buy the share capital of the Company from our largest shareholder, several requests for General Meetings, and legal advice for Director disputes, additional fees have been incurred totalling US$ 3.1 million (2019: US$ nil).

36 Finance income

	2020 US$'000	2019 US$'000
Bank and other income	**15**	16

37 Finance expenses

	2020 US$'000	2019 US$'000
Interest on bank borrowings (*Note 22*)	**27,626**	31,107
Loss on settlement of derivatives reclassified through profit or loss	**904**	259
Interest on finance leases	**182**	284
Bank commitment fees	**(187)**	249
Bank arrangement fees	**115**	164
Other finance expenses	**373**	–
Recognition of embedded derivative for warrants (*Note 10*)	**1,449**	–
Net loss on changes in fair value of interest rate swap (*Note 10*)	**1,551**	–
Revaluation gain on revision of debt cash flows as at 31 December 2020 (*Note 22*)	**(1,518)**	–
Cost to acquire new bank facility* (*Note 22*)	**15,797**	–
Expensing of unamortised issue costs in relation to previous loan (*Note 31*)	**448**	–
	46,740	32,063

* Costs incurred to acquire new loan facility including arrangement, advisory and legal fees.

38 Loss for the year

The loss for the year is stated after charging/(crediting):

	2020 US$'000	2019 US$'000
Total staff costs (see below)	**28,264**	35,926
Depreciation of property, plant and equipment *(Note 5)*	**25,837**	29,849
Impairment charge *(Note 5)*	**87,156**	59,125
Amortisation of dry docking expenditure *(Note 6)*	**3,074**	2,275
Amortisation of Right-of-use assets *(Note 7)*	**2,543**	2,891
Movement in ECL provision during the year *(Note 9)*	**69**	(16)
Recovery of ECL provision *(Note 9)*	**(64)**	–
Foreign exchange loss, net	**993**	1,181
Loss/(Gain) on disposal of property plant and equipment	**2,073**	(14)
Gain on disposal of assets held for sale (*Note 12*)	**(259)**	–
Auditor's remuneration (see below)	**1,025**	771

38 Loss for the year (continued)

The average number of full time equivalent employees (excluding non-executive Directors) by geographic area was:

	2020 Number	2019 Number
Middle East and Northern Africa	**467**	426
Rest of the world	**29**	56
	496	482

The total number of full time equivalent employees (including executive Directors) as at 31 December 2020 was 533 (31 December 2019: 461).

Their aggregate remuneration comprised:

	2020 US$'000	2019 US$'000
Wages and salaries	**27,692**	35,025
Employment taxes	**38**	138
End of service benefit *(Note 20)*	**527**	537
Share based payment charge	**7**	226
	28,264	35,926

The analysis of the auditor's remuneration is as follows:

	2020 US$'000	2019 US$'000
Group audit fees	**784**	287
Subsidiary audit fees	**95**	164
Total audit fees	**879**	451
Audit-related assurance services – interim review	**146**	320
Total fees	**1,025**	771

* The Group audit fee in 2020 includes overruns in respect of the 2019 audit amounting to US$ 84k which were agreed subsequent to the issuance of the 2019 Annual Report.

For further information on the Group's policy in respect of Auditor's remuneration see page 47 of the Report of the Audit and Risk Committee.

39 Notes to the consolidated statement of cash flows

	2020 US$'000	2019 US$'000
Operating activities		
Loss for the year	**(124,304)**	(85,465)
Adjustments for:		
Depreciation of property, plant and equipment *(Note 5)*	**25,837**	29,849
Amortisation of dry docking expenditure *(Note 6)*	**3,074**	2,275
Impairment charge *(Note 5)*	**87,156**	59,125
Amortisation of IFRS 16 leases *(Note 7)*	**2,543**	2,891
Income tax expense *(Note 8)*	**1,285**	3,696
End of service benefits charge *(Note 20)*	**527**	537
End of service benefits paid *(Note 20)*	**(617)**	(979)
Movement in ECL provision during the year *(Note 9)*	**69**	(16)
Provision for doubtful debts on accrued revenue *(Note 9)*	**–**	(530)
Recovery of ECL provision *(Note 9)*	**(64)**	–
Share based payment charge *(Note 16)*	**168**	227
Interest income *(Note 36)*	**(15)**	(16)
Finance expenses *(Note 37)*	**46,740**	32,063
Loss/(gain) on disposal of property, plant and equipment *(Note 38)*	**2,073**	(14)
Gain on disposal of assets held for sale *(Note 38)*	**(259)**	–
Hedging revenue adjustment *(Note 10)*	**(21)**	–
Unrealised forex loss	**–**	77
Other income	**(257)**	(513)
Cash flow from operating activities before movement in working capital	**43,935**	43,207
Decrease in trade and other receivables	**4,866**	2,875
(Decrease)/increase in trade and other payables	**(3,770)**	8,320
Cash generated from operations	**45,031**	54,402
Taxation paid	**(763)**	(3,058)
Net cash generated from operating activities	**44,268**	51,344

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 10) US$'000	Lease liabilities (Note 23) US$'000	Bank borrowings (Note 22) US$'000
At 1 January 2019	238	–	411,515
Financing cash flows			
Bank borrowings received	–	–	5,000
Repayment of bank borrowings	–	–	(18,329)
Principal elements of lease payments	–	(3,433)	–
Settlement of derivatives	241	–	–
Interest paid	–	(286)	(27,663)
Total financing cashflows	241	(3,719)	(40,992)
Non-cash changes:			
Recognition of new leases on adoption of IFRS 16	–	6,122	–
Recognition of new lease additions	–	860	–
Derecognition of lease liabilities	–	(1,593)	–
Interest on leases *(Note 37)*	–	284	–
Interest on bank borrowings *(Note 37)*	–	–	31,107
Bank commitment fees *(Note 37)*	–	–	249
Loss on fair value changes of hedging instruments *(Note 10)*	1,261	–	–
Other movements	–	–	288
Total non cash changes	1,261	5,673	31,644
At 31 December 2019	1,740	1,954	402,167
Financing cash flows			
Bank borrowings received	**–**	**–**	**21,500**
Repayment of bank borrowings	**–**	**–**	**(12,075)**
Principal elements of lease payments	**–**	**(1,871)**	**–**
Settlement of derivatives	**(883)**	**–**	**–**
Interest paid	**–**	**(193)**	**(27,903)**
Total financing cashflows	**(883)**	**(2,064)**	**(18,478)**
Non-cash changes:			
Recognition of new lease liability additions	**–**	**3,239**	**–**
Interest on leases *(Note 37)*	**–**	**182**	**–**
Interest on bank borrowings *(Note 37)*	**–**	**–**	**27,626**
Bank commitment fees *(Note 37)*	**–**	**–**	**(187)**
Gain on fair value changes of hedging instruments *(Note 10)*	**(21)**	**–**	**–**
Net loss on change in fair value of IRS *(Note 10)*	**1,551**	**–**	**–**
Loss on fair value changes on the embedded derivative *(Note 10)*	**1,449**	**–**	**–**
The expensing of unamortised issue costs in relation to previous loan *(Note 37)*	**–**	**–**	**448**
Revaluation gain on revision of debt cash flows at the date of modification *(Note 37)*	**–**	**–**	**(1,518)**
Total non cash changes	**2,979**	**3,421**	**26,369**
At 31 December 2020	**3,836**	**3,311**	**410,058**

40 Events after the reporting period

Extension to waiver to renegotiate banking terms

On 27 January 2021, the Group's banking syndicate agreed an extension of certain obligations on the Group, which it was otherwise required to have met by 31 January 2021, including the requirement to issue warrants to the banks to 28 February 2021. These obligations were further extended on 25 February to 31 March 2021 at which point they were superseded.

New bank deal

On 31 March 2021, the Group together with its banking syndicate executed an amendment to its common terms agreement and related loan documentation, delivering significantly improved terms, which were consistent with the term sheet announced on 16 March 2021.

The revised deal provides additional time needed to seek to complete an equity raise, with a requirement to raise US$ 25 million by 30 June 2021 and a further US$ 50 million by 31 December 2022. Provided the Company meet these requirements then no PIK shall be charged or warrants issued. It also reduces interest cost during 2021 and 2022 with the cash saving being utilised to accelerate repayment of the loans. Please refer to Note 22 for further details.

Appointment of new Director

As announced on 16 March 2021, Jyrki Koskelo was appointed as an Independent Non-Executive Director to the Board of Directors in February 2021.

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US$'000	2019 US$'000
Fixed assets			
Investments in subsidiaries	5	**247,325**	573,546
Total fixed assets		**247,325**	573,546
Current assets			
Other receivables		**48**	14
Cash and cash equivalents		**64**	1
Total current assets		**112**	15
Creditors: Amounts falling due within one year			
Other payables	7	**15,375**	12,998
Net current liabilities		**15,375**	12,998
Total assets less current liabilities		**232,062**	560,563
Creditors: Amounts falling due after more than one year			
Derivatives	8	**1,449**	–
Net assets		**230,613**	560,563
Equity			
Share capital	9	**58,057**	58,057
Share premium account	9	**93,080**	93,080
Share based payment reserve	9	**3,739**	3,569
Retained earnings		**75,737**	405,857
Total equity		**230,613**	560,563

The Company reported a loss for the financial year ended 31 December 2020 of US$ 330.1 million (2019: US$ 2.8 million).

The financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 21 May 2021. Signed on behalf of the Board of Directors

Mansour Al Alami
Executive Chairman

Andy Robertson
Chief Financial Officer

The attached Notes 1 to 13 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital US$'000	Share premium account US$'000	Share based payment reserve US$'000	Retained earnings US$'000	Total equity US$'000
At 1 January 2019	57,992	93,080	3,410	408,646	563,128
Loss for the year	–	–	–	(2,789)	(2,789)
Share based payment charge *(Note 9)*	–	–	224	–	224
Shares issued under LTIP schemes *(Note 9)*	65	–	(65)	–	–
At 31 December 2019	58,057	93,080	3,569	405,857	560,563
Loss for the year	**–**	**–**	**–**	**(330,120)**	**(330,120)**
Share based payment charge *(Note 9)*	**–**	**–**	**170**	**–**	**170**
At 31 December 2020	**58,057**	**93,080**	**3,739**	**75,737**	**230,613**

The attached Notes 1 to 13 form an integral part of these financial statements.

1 Corporate information

Gulf Marine Services PLC ("the Company") was a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. On 7 February 2014, the Company re-registered as a public limited company. The address of the registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registered number of the Company is 08860816. The Company is the parent company of the Gulf Marine Services Group comprising of Gulf Marine Services PLC and its underlying subsidiaries ("Group"). The consolidated group accounts are publicly available.

2 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 Company's Directors have assessed the Group's and therefore the Company's financial position for a period of not less than 12 months from the date of approval of the full year results and have a reasonable expectation that the Group and the Company will be able to continue in operational existence for the foreseeable future.

On 31 December 2020, the Group's banking syndicate agreed to extend certain obligations on the Group, which it was otherwise required to have met including the requirement to issue warrants to the banks. This meant the Group was not in an event of default as at 31 December 2020. This was subsequently extended on two further occasions through to 31 March 2021 at which point the Company entered into a new agreement with its lenders, delivering significantly improved terms, which were consistent with the term sheet announced on 16 March 2021.

The revised deal provides additional time needed to complete an equity raise with a lower initial quantum and now includes a requirement of US$ 25 million of equity to be raised by 30 June 2021 and a further US$ 50 million by 31 December 2022. This must be put to the Company's shareholders to approve. Seafox and Mazrui Investments LLC (Mazrui) are related parties under the Listing Rules, therefore their respective votes would not be counted on a shareholder vote on a related party transaction to which they were party. A fully pre-emptive offering would not involve such a related party transaction. Both have informally agreed to take up their prorated share of an equity raise. Failure to obtain the necessary shareholder approval and raise US$25 million of new equity by 30 June 2021 will result in an event of default and indicates a material uncertainty that may cast significant doubt as to the Group's and the Company's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on the progress made to date and an informal commitment from these two shareholders representing 42% of the share capital of the Company to take up their prorated share, that the equity raise will be successfully completed prior to 30 June 2021. Accordingly, they have adopted the going concern basis of accounting in preparing the consolidated financial statements, and also in preparing these Company financial statements.

If shareholder approval is not obtained and US$ 25 million of new equity is not placed by 30 June 2021 the banks would retain the right, under the existing loan terms, to call default on the loans as of that date. This would allow a majority of banks, representing at least 66.67% of total commitments, to exercise their rights to recall all credit facilities, demand immediate repayment and/ or enforce its rights over the security granted by the Company as part of this facility either through enforcing security over assets and/or exercising the share pledge to take control of the Group.

GMS remains cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The Board's view is that the transition risk associated with climate change remains an emerging risk with no appreciable impact in the going concern forecast period.

The impact of COVID-19 has also been considered with vessel downtime, as a contingency, for 2021. The forecast has been amended to allow for additional hotel and testing costs for offshore crew whilst in quarantine. Terms and conditions of crew rotations have also been amended and costs updated to reflect this. Rotations have been extended for all crew to limit the number of times in quarantine and the number of changeouts on the crew which increases the risk of infection each time it occurs. All policies are in line with Government and client guidelines for offshore activities.

Brexit

GMS supports the free movement of goods, services and people. On 24 December 2020 agreement was reached between the UK and EU. As our UK office was closed at the end of 2019 and there is currently one vessel owned by the Company's subsidiaries, working in North West Europe, the impact of Brexit is not considered to be a principal risk to the Company. GMS will continue to monitor the status of implementation, including changes in legislation and future policies.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They 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 applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Company.

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 loss of US$ 330.1 million (2019: loss of US$ 2.8 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 presentation of a cash flow statement and remuneration of key management personnel.

Investments

Investments in subsidiaries and associates 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.

Embedded Derivatives

The Company considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the entire instrument is not measured at fair value with changes in fair value recognised in the profit or loss.

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 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 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 financial statements.

2 Accounting policies (continued)

Taxation (continued)

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.

The following are the critical accounting judgements and key sources of estimation, which management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements in applying the Company's accounting policies

Management has not made any critical judgements in applying the Company's accounting policies for the year ended 31 December 2020.

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

Investments in subsidiary undertakings are included in the statement of financial position of the Company at cost less any provision for impairment. 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. The projection of cash flows related to vessels requires the use of various estimates including future day rates, vessel utilisation levels and discount rates. These estimates are based on a number of key assumptions including asset replacement cost, ongoing maintenance and repair costs and estimated asset usage over the relevant period. 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 of US$ 327.7 million (2019:US$ nil) on the investment in subsidiaries (see Note 5).

As at 31 December 2020, the Company had investments of US$ 247.3 million (2019: US$ 573.5 million).

4 Dividends

There was no interim dividend declared or paid in 2020 (2019: Nil).

No final dividend in respect of the year ended 31 December 2020 (2019: Nil at the 2020 AGM) is to be proposed at the 2021 AGM.

5 Investment in subsidiaries

	2020 US$'000	2019 US$'000
Investments in subsidiaries	**573,546**	573,546
Capital contribution in subsidiary in relation to embedded derivative *(Note 8)*	**1,449**	–
Impairment of investments	**(327,670)**	–
	247,325	573,546

As at 31 December 2020, the net assets of the Company exceed the net assets of the Group prior to any impairment by US$ 351.4 million (2019: US$ 230.9 million). This and the continued low market capitalisation were identified as indicators of impairment and accordingly the Company undertook a full assessment of recoverable amount of its investments in subsidiaries at the reporting date.

The review was done by identifying the value in use of each vessel in the fleet as the underlying cash generating units of the investments in subsidiaries. This 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. Projections used to derive future cashflows reflect the ongoing COVID-19 pandemic and oil price environment. The risk adjusted cash flows have been discounted using a nominal post-tax discount rate of 9.86% (2019: 9.25%), which reflects the current market assessment of the time value of money and is based on the Group's weighted average cost of capital. The discount rate has been calculated using industry sector average betas, risk free rates of return as well as specific adjustments for country risk and tax regimes in the countries in which the Group operates and a size premium. For further details of the Group's impairment assessment, refer to Note 5 of the consolidated financial statements.

The review led to the recognition of an aggregate impairment of US$ 327.7 million (2019: US$ nil) on the investment in subsidiaries.

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 projected revenue for the remaining useful economic life. A further sensitivity was modelled where a 1% increase/decrease was applied to the post-tax discount rate mentioned above.

The results on the first sensitivity indicated that a 10% decrease to revenue would lead to an additional impairment charge of US$ 129.9 million. In comparison, a 10% increase to revenue would reduce the impairment charge booked in the period by US$ 127.3 million. The total carrying amount of investments would be US$117.4 million and US$ 374.6 million respectively.

The results on the second sensitivity indicated that a 1% decrease to the nominal post-tax discount rate would lead to a reduction of the impairment charge booked during the period of US$ 58.8 million and a 1% increase to the nominal post-tax discount rate would lead to an increase to the impairment charge booked during the period of US$ 51.2 million. The total carrying amount of investments would be US$ 188.5 million and US$ 298.5 million respectively.

The Company has investments in the following subsidiaries:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2020	2019	Type of Activity
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%	Owner of Barge "Naashi"
Offshore Accommodation Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Holding Company
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"

5 Investment in subsidiaries (continued)

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2020	2019	Type of Activity
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	c/o MacKinnon's, 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 of 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

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2020	2019	Type of Activity
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	**100%**	100%	General Investment and Trading
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.

6 Deferred tax asset

At the reporting date, the Company has unused tax losses of US$ 12.1 million available for offset against future profits (2019: US$ 9.6 million). These UK tax losses may be carried forward indefinitely. The Company had insufficient future taxable profits to justify the recognition of a deferred tax asset and therefore no deferred tax asset has been recognised in the current year (2019: US$ Nil).

7 Other payables

	2020 US$'000	2019 US$'000
Amounts owed to Group undertakings	14,648	12,321
Other payables	727	677
	15,375	12,998

Amounts owed to Group undertakings have no fixed terms of repayment and are repayable on demand. Therefore the present value of the liability is deemed to equal the undiscounted cash amount payable, reflecting the lender's right to demand immediate repayment. No interest charge is therefore imputed on these amounts.

8 Derivative financial instruments

Embedded derivative – contract to issue warrants

In June 2020, the Group restructured the terms of its borrowings with its lenders. These terms include warrants to be issued under the following conditions:

If GMS has not raised US$ 75.0 million of equity by no later than 31 December 2020, GMS shall issue warrants to its lenders, in accordance with the following terms:

- Strike price at 9p
- Number of warrants that would give the lenders collectively 20% ownership of GMS
- Vesting: (i) 50% vest on 31 December 2021 and (ii) 50% vest on 30 June 2023, unless the Net Leverage ratio is below 4.0x
- If, at any time, GMS raised US$ 100 million of equity any warrant not yet vested at such date will cease to exist
- Upon vesting, the warrants are (i) exercisable in whole or in part, (ii) allocated pro rata to each lender and exercisable singly and separately (i.e. not as a syndicate), (iii) payable either in cash or in the form of settling the PIK outstanding at the time of exercise, and (iv) freely tradable
- Warrants to expire on 30 June 2025 (maturity date of the facilities)

As the terms of the loan facility contained separate distinguishable terms with a requirement to issue warrants to banks, management determined the debt facility to contain an embedded derivative. The Group were required to recognise the embedded derivative at fair value.

The loan facility was a tri-partite agreement between the Company, a subsidiary of the Group and the Groups banking syndicate. As the embedded derivative was over the Company's equity, the balance has been recorded on the Company's balance sheet.

8 Derivative financial instruments (continued)

Embedded derivative – contract to issue warrants (continued)

The balance represents the fair value outstanding at 31 December 2020 with a value of US$ 1.4 million. As the derivative was expected to be settled after 12 months, the balance was recognised as a non-current liability.

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo simulations. The fair value based on the valuation carried out as at 31 December was US$ 1.5 million. The valuation of the contract to issue is dependent on a number of estimates, including the Company's share price, the Company's share price volatility and the Group's ability to raise equity. The weighted average risk-free rate was 0.10%. The valuation of fair value of the contract to issue warrants is more sensitive to changes to market capitalisation.

A 10% increase in the assumed market capitalisation required to raise equity would result in a US$ 1.4 million increase in the fair value of warrants. A 10% decrease would result in a US$ 1.4 million decrease in their fair value.

During the year no warrants were issued.

Derivative financial statements are made up as follows:

	Embedded derivative US$'000	Total US$'000
As at 1 January 2019 and 1 January 2020	**–**	–
Initial recognition and subsequent revaluation of embedded derivative	**1,449**	1,449
As at 31 December 2020	**1,449**	1,449

9 Share capital and reserves

The share capital of Gulf Marine Services PLC was as follows:

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Total US$'000
At 31 December 2020			
Authorised share capital	**350,488**	**58,057**	**58,057**
Issued and fully paid	**350,488**	**58,057**	**58,057**
At 31 December 2019			
Authorised share capital	350,488	58,057	58,057
Issued and fully paid	350,488	58,057	58,057

	Number of ordinary shares (thousands)	Ordinary shares US$'000	Share premium account US$'000	Share based payment reserve US$'000	Total US$'000
At 1 January 2020	**350,488**	**58,057**	**93,080**	**3,569**	**154,706**
Shares issued under LTIP schemes	**–**	**–**	**–**	**170**	**170**
At 31 December 2020	**350,488**	**58,057**	**93,080**	**3,739**	**154,876**

The Company has one class of ordinary shares, which carry no right to fixed income.

The Company was incorporated on 24 January 2014 with a share capital of 300 million shares at a par value of £1 each. On 5 February 2014, as part of a Group restructuring, the Company undertook a capital reduction by solvency statement, in accordance with s643 of the Companies Act 2006. Accordingly, the nominal value of the authorised and issued ordinary shares was reduced from £1 to 10p.

On 19 March 2014, the Company completed its initial public offering ("IPO") on the London Stock Exchange. A total of 49,527,804 shares with a par value of 10 pence per share were issued at a price of 135 pence (US$ 2.24) per share.

On 6 July 2017, the Company issued a total of 176,169 ordinary shares at a par value of 10 pence per share in respect of the Company's 2014 long-term incentive plan.

On 12 April 2018, the Company issued a total of 263,905 ordinary shares at par value of 10 pence per share in respect of the Company's 2015 long-term incentive plan.

On 2 April 2019, the Company issued a total of 519,909 ordinary shares at par value of 10 pence per share in respect of the Company's 2016 long-term incentive plan.

The share premium account contains the premium arising on issue of equity shares, net of related costs.

The Company's share based payment reserve of US$ 3.7 million (2019: US$ 3.6 million) relates to awards granted to employees of a subsidiary undertaking under a long-term incentive plan, details of which are provided in *Note 11*. The share-based payment charge during the year was US$ 0.2 million (2019: US$ 0.2 million).

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

10 Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Administration	**3**	5
	3	5

Their aggregate remuneration comprised:

	2020 US$'000	2019 US$'000
Wages and salaries	**931**	1,301
Employment taxes	**11**	69
	942	1,370

11 Long term incentive plans

The Company has Long Term Incentive Plans ("LTIPs"), performance shares and share-based payments which were granted to senior management, managers and senior offshore officers. The details of the senior management LTIPs are contained in the Directors' Remuneration Report on page 63.

From 2019 onwards the employment condition is that each eligible employee of the Company must remain in employment during the three year vesting period. LTIPs have been aligned to the Company's share performance therefore only financial metrics will be applied. The time-dependent element of the LTIPs has been removed. EPS ("Earnings Per Share") has been dropped as the financial metric and TSR ("Total Shareholder Return") is now the sole financial metric.

In the prior years, the release of these shares were conditional upon continued employment, certain market vesting conditions and in the case of senior management LTIP awards, performance against three-year target EPS compound annual growth rates. 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 simulations, 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 market performance condition, 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, which for the Company mainly related to the continual employment of the employee during the vesting period, and in the case of the senior management LTIP awards the achievement of EPS growth targets, 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 share-based payments that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payments granted.

To the extent that share-based payments are granted to employees of the Company's subsidiaries without charge, the share-based payment charge 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:

	2020 No.	2019 No.
At the beginning of the year	**8,768,294**	9,814,485
Granted in the year	**2,661,388**	3,425,775
Exercised during the year	**–**	(519,909)
Forfeited in the year	**(4,856,453)**	(1,424,494)
Lapsed	**–**	(2,527,563)
At end of the year	**6,573,229**	8,768,294
Exercisable at the end of the year	**–**	–

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2020 was 1.0 years (2019: 1.9 years). The weighted average fair value of shares granted during the year was US$ 0.10 (2019: US$ 0.07).

11 Long term incentive plans (continued)

Outlined below is a summary of the assumptions which have been used to determine the fair value of the share awards:

	LTIP	LTIP	LTIP
Grant date	29 May 2020	15 November 2019	23 March 2018
Share price	£0.09	£0.08	£0.37
Expected volatility	120%	102.79%	52.89%
Risk-free rate	0.01%	0.48%	1.04%
Expected dividend yield	0.00%	0.00%	1.00%
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 taking into account the historical share price movements for a three year period up to the grant date (and of each of the companies in the comparator 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.

The charge arising from share-based payments is disclosed in Note 9.

12 Financial instruments

The Company applies Sections 11 and 12 of FRS 102 in respect of financial instruments.

Further details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the financial statements (see Note 2).

The Company has the following financial instruments:

	2020 US$'000	2019 US$'000
Financial assets:		
Financial assets at amortised cost:		
Other receivables	**48**	14
Cash and cash equivalents	**64**	1
Total financial assets	**112**	15

	2020 US$'000	2019 US$'000
Financial liabilities at FVTPL:		
Embedded derivative *(Note 8)*	**1,449**	–
Financial liabilities at amortised cost:		
Other payables *(Note 7)*	**15,375**	12,998
Total financial liabilities	**16,824**	12,998

All financial liabilities are repayable upon demand.

Capital risk management

The Company manages its capital to support its ability to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives, however under the revised banking terms signed in March 2021, a minimum of US$ 75 million of equity has to be raised prior to 31 December 2022 in order to accelerate payments towards term debt. This along with maximising cash wherever possible, the Group looks to delever the Company over the coming years. The capital structure of the Company consists of cash and short-term deposits and equity attributable to equity holders of the Company, comprising issued capital, reserves and loss for the period as disclosed in Note 9.

The Company was not subject to any externally imposed capital requirements other than a requirement to issue warrants to its lenders if US$ 75 million equity was not raised by 31 December 2020, refer to Note 8 for further details.

Financial risk management objectives and policies
The Company is exposed to the following risks related to financial instruments – credit risk, cash flow and liquidity risk, foreign currency risk and interest rate risk. Management actively monitors and manages risks relating to the Company and policies implemented to mitigate risk exposures.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's other receivables. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances 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.

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. Other receivables are not secured by any collateral.

The Company's principal financial assets are bank balances, and intercompany and other receivables. The Company's main credit risk is primarily attributable to its key intercompany receivables. The Company has no other significant concentration of credit risk. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence for a reduction in the recoverability of the cash flows.

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. Cash balances held at year end were deposited with banks with Fitch short-term ratings of F2 to F1+.

Cash flow and liquidity risk
The Company currently has sufficient cash to fund its activities. However, in the event that additional liquidity is required for ongoing operations and future developments, the Company has access to additional funding from other Group entities which it controls.

Foreign currency risk management
The majority of the Company's transactions are in either UAE Dirhams or US$. Transactions in other foreign currencies entered into by the Company are short term in nature and therefore management considers that the currency risk associated with these transactions is limited and consequently this risk is not hedged.

Interest rate risk management
The Company's financial assets and financial liabilities are interest-free; accordingly, the Company is not subject to any interest rate risk.

Fair value of financial assets and liabilities
The Company's management considers that the fair value of financial assets and financial liabilities approximates their carrying amounts.

13 Events after the reporting period
Appointment of new Director
As announced on 16th March 2021, Jyrki Koskelo was appointed as an Independent Non-Executive Director to the Board of Directors in February 2021.

New bank deal
On 31 March 2021, the Group together with its banking syndicate executed an amendment to its common terms agreement and related loan documentation, delivering significantly improved terms, which were consistent with the term sheet announced on 16 March 2021.

The revised deal provides additional time needed to seek to complete an equity raise, with a requirement to raise US$ 25 million by 30 June 2021 and a further US$ 50 million by 31 December 2022. Provided the Company meet these requirements then no PIK shall be charged or warrants issued. It also reduces interest cost during 2021 and 2022 with the cash saving being utilised to accelerate repayment of the loans. The Company will be required to recognise an embedded derivative in relation to the terms of the warrants contained in the new loan facility.

As the loan facility is a tri-partite agreement between the Company, a subsidiary of the Group and the Group's banking syndicate, and the warrants will be over the Company's equity, the embedded derivative will be recorded on the balance sheet.

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 loss per share – represents the adjusted 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 share options outstanding during the period. The adjusted loss attributable to equity shareholders of the Company is used for the purpose of basic loss per share adjusted by adding back impairment charges, restructuring charges, exceptional legal costs and costs to acquire new bank facilities. 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 31.

Adjusted EBITDA – represents operating profit after adding back depreciation, amortisation, impairment charges, restructuring costs and exceptional legal costs in 2020. 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.

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 after 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.

Adjusted loss – represents loss after adding back impairment charges, restructuring costs, exceptional legal costs and finance expenses relating to the renegotiation of the bank facilities in 2020. 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 of these results.

Average fleet utilisation – represents the percentage of available days in a relevant period during which the fleet of 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.

EBITDA – represents Earnings before Interest, Tax, Depreciation and Amortisation, which represents operating loss after adding back depreciation and amortisation in 2020. 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 operating expenses as identified in Note 31 of the consolidated financial statements.

Net bank debt – represents the total bank borrowings less cash. This measure provides additional information of the Group's financial position. A reconciliation is shown below:

	2020 US$'000	2019 US$'000
Statutory bank borrowings	**410,058**	402,167
Less cash and cash equivalents	**(3,798)**	(8,404)
	406,260	393,763

Net cash flow before debt service – the sum of cash generated from operations and investing activities.

Net debt to EBITDA – the ratio of net debt at year end to earnings before interest, tax, depreciation and amortisation as reported under the terms of our bank facility agreement.

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.

Underlying trading performance – day to day trading excluding vessel relocation and COVID-19.

OTHER DEFINITIONS

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	LIBOR 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.
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 Cover	represents the ratio of Adjusted EBITDA to Finance Service (being Net finance charges plus scheduled repayments plus capital payments for finance leases adjusted for voluntary or mandatory prepayments), in respect of that relevant period.
Interest Cover	represents the ratio of Adjusted EBITDA to Net finance charges.
IOC	Independent Oil Company.
KPIs	Key performance indicators.
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.
LIBOR	London Interbank Offered Rate.
Net finance charges	represents finance charges 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.
OSW	Offshore Wind.
PIK	Payment In Kind. Under the banking documents dated 17 June 2020 and 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 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.
Security Cover (loan to value)	the ratio (expressed as a percentage) of Total Net Debt at that time to the Market Value of the Secured Vessels.
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 (G&A) expenses excluding depreciation and amortisation, exceptional and legal 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.
Warrants	Under the banking documents dated 17 June 2020, if GMS had not satisfied the US$ 75 million Equity Condition, GMS shall issue warrants to the Banks, by no later than 31 December 2020, in accordance with the following terms: • Strike price at the lower of (i) average price over the 90 trading days preceding execution of documents, or (ii) exercise price of the stock options granted to Senior Management • Number of warrants that would give the Banks collectively 20% ownership of GMS • Vesting: (i) 50% vest on 31 December 2021 and (ii) 50% vest on 30 June 2023, unless the Net Leverage ratio is below 4.0x • If, at any time, GMS satisfies the US$ 100 million Equity Condition any warrant not yet vested at such date will cease to exist • Upon vesting, the warrants are (i) exercisable in whole or in part, (ii) allocated pro rata to each Bank and exercisable singly and separately (i.e. not as a syndicate), (iii) payable either in cash or in the form of settling the PIK outstanding at the time of exercise, and (iv) freely tradable • Anti-dilution mechanism • Price adjustment mechanism • Warrants to expire on 30 June 2025 (maturity date of the facilities) Under the banking documents date 31 March 2021, if Warrants are issued on 1 July 2021 because of the failure to raise US$ 25 million by 30 June 2021, half of the issued warrants vest on that date. The other half will only vest on 2 January 2023 if there is a failure to raise US$ 50 million. If warrants are issued on 2 January 2023 because of the failure to raise US$ 50 million all of the issued warrants vest on the same date. If the US$ 50 million equity raise is successful but the US$ 25 million is unsuccessful, the balance of the unvested warrants issued on 1 July 2021 will lapse. All warrants to expire on 30 June 2025 (maturity date of the facilities).

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