GMS

Gulf Marine Services PLC Annual Report 2021

In this report

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

Our vision
To be the best SESV operator in the world

2021 Overview

Revenue

US$ 115.1m
(2020: US$ 102.5m)

Utilisation

84%
(2020: 81%)

Adjusted EBITDA

US$ 64.1m
(2020: US$ 50.4m)

General and administrative expenses

US$ 12.3m
(2020: US$ 18.2m)

Net profit for the year

US$ 31.2m
(2020: net loss of US$ 124.3m)

2021 Financial Highlights

- Revenue increased by 12.3% to US$ 115.1 million (2020: US$ 102.5 million) driven by increased utilisation in higher earning E- and S-Class vessels as detailed below.
- Increased adjusted EBITDA[1] to US$ 64.1 million (2020: US$ 50.4 million) and an improvement to adjusted EBITDA margin to 56% (2020: 49%).
- Cost of sales excluding depreciation, amortisation and the reversal of impairment/impairment charge was US$ 41.2 million (2020: US$ 42.3 million) reflecting higher vessel utilisation.
- General and administrative expenses decreased to US$ 12.3 million (2020: US$ 18.2 million) as a result of US$ 5.6 million of non-recurring costs incurred in prior year (2021: nil).
- US$ 15.0 million reversal of prior year's impairment compared to an impairment charge of US$ 87.2 million in 2020, reflecting Group's improved long-term outlook.
- First reported net profit since 2016 at US$ 31.2 million (2020: net loss of US$ 124.3 million). Adjusted net profit[2] of US$ 18.0 million (2020: adjusted net loss of US$ 15.3 million).
- Interest on bank borrowings reduced by 37% to US$ 17.5 million (2020: US$ 27.6 million) following refinancing of the Group's debt facility and reduction in LIBOR with both margin and average LIBOR decreasing to 3.0% and 0.2% (2020: 5.0% and 1.0%).
- Net bank debt[3] reduced to US$ 371.3 million (2020: US$ 406.2 million). Net leverage ratio[4] reduced to 5.8 times (2020: 8.0 times).
- Successful issuance of equity by 30 June 2021 removed potential event of default, which in turn removed material uncertainty as to the Group's ability to continue as a Going Concern reported in 2020.

2021 Operational Highlights

— Average fleet utilisation increased by 3 percentage points to 84% (2020: 81%) with notable improvements in both S- and E-Class vessels at 98% (2020: 92%) and 72% (2020: 65%) respectively. Average utilisation for K-Class vessels remained flat at 86% (2020: 86%).
— Average day rates marginally increased to US$ 25.7k (2020: US$ 25.3k) with recent awards in the second half of the year showing significant improvement.
— New charters and extensions secured in year totalled 9.6 years (2020: 6.6 years).
— Operational downtime remains low at 1.5% (2020: 1.6%).
— Border restrictions and quarantine requirements in relation to COVID-19 have shown signs of easing in latter part of 2021.
— Strengthening of Board with the appointment of two independent non-executive Directors in February 2021 and May 2021 and one non-executive Director in August 2021.

2022 Highlights and Outlook

— Secured utilisation for 2022 currently stands at 88% against actual utilisation of 84% in 2021.
— Anticipate continued improvement on day rates as Middle East vessel demand outstrips supply on the back of a strong pipeline of opportunities.
— Average secured day rates over 12% higher than 2021 actual levels.
— Reversal of impairment recognised with a value of US$ 15.0 million indicative of improving long-term market conditions.
— Group anticipates net leverage ratio to be below 4.0 times by the end of 2022 without relying on a second equity raise.

See Glossary.

1 Represents operating profit/(loss) after adding back depreciation, amortisation and the reversal of impairment in 2021 and depreciation, amortisation, an impairment charge and adjusting items in 2020. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 30.
2 Represents net profit/(loss) after adding back depreciation, amortisation the reversal of impairment and adjusting items in 2021 and depreciation, amortisation, an impairment charge and adjusting items in 2020. This measure provides additional information in assessing the Group's total performance that management can more directly influence and is comparable from year to year. A reconciliation of this measure is provided in Note 30.
3 Represents total bank borrowings less cash.
4 Represents the ratio of net bank debt to adjusted EBITDA.

NON-FINANCIAL INFORMATION STATEMENT

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the strategic report.

The table below sets out where relevant information can be found within this report*:

Reporting requirement and policies and standards which govern our approach:	Information necessary to understand our business and its impact, policy due diligence and outcomes:
Environmental matters • Greenhouse Gas (GHG) Emissions Policy • Climate change strategy • Carbon emission reporting • Taskforce on Climate-related Financial Disclosures (TCFD)	• GHG emissions, page 12 • People and values section, page 4 • Carbon emission reporting, page 12 • TCFD, page 4
Employees • Anti-Corruption and Bribery Policy • Social Responsibility Policy • Whistleblowing Policy • Health and safety standards • Diversity and equal opportunities • Employee engagement and welfare	• Ethical practises, page 15 • Ethical practises, page 15 • Ethical practises, page 15, and Audit and Risk Committee report page 52 • Health and safety, page 17 • Diversity, page 14, Directors' Report, page 74 • Employee engagement and welfare, page 15
Human rights • Disability Policy • Anti-Slavery Policy • Code of Conduct Policy	• Employees and policies, Directors' Report, page 76 • Ethical practises, page 15 • Ethical practises, page 15, Risk management page 32
Principal risks and impact on business activity	• Risk management, pages 28 to 33
Remuneration Policy	• Remuneration Policy, page 58
Description of the business model	• Our business model, page 18
Key Performance Indicators (KPIs)	• KPIs, page 34

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

Turning the Corner

2021 saw a number of positive steps being made by the Group as the business continues to turn around. A new bank deal and subsequent equity raise helped stabilise the balance sheet, removing a potential event of default with our banks. Improving demand for our vessels led to utilisation being the highest in the last six years, driving an increase in day rates for contracts awarded in the second half of the year, which we will see the benefit of in 2022. The Group reported improved margins driven by increased revenues leading to its first reported net profit since 2016.

Group performance

Revenue increased by 12.3% to US$ 115.1 million (2020: US$ 102.5 million) with an increase in utilisation of 3 percentage points to 84% (2020: 81%) and with notable improvements in both S- and E-Class vessels at 98% (2020: 92%) and 72% (2020: 65%) respectively. K- Class vessels remained flat at 86% (2020: 86%). Average day rates across the fleet marginally increased to US$ 25.7k (2020: US$ 25.3k). Certain contracts awarded in the latter half of the year, which are due to commence in 2022, saw significant day rate improvements on legacy contracts.

Vessel operating expenses decreased by 2.6% to US$ 41.2 million (2020: $42.3 million), despite the increase in utilisation. General and administrative expenses reduced by US$ 5.9 million to US$ 12.3 million, of which US$ 5.6 million related to non-recurring adjusting items in 2020 and the balance reflecting savings from the final phase of the Group's cost-cutting exercise.

Adjusted EBITDA was US$ 64.1 million, up 27.2% from the previous year (2020: US$ 50.4 million) mainly driven by improved utilisation, particularly in the Group's higher earning E- and S-Class vessels.

During the year there was a reversal of previous impairment charges of US$ 15.0 million, indicative of improvements to long-term market conditions and non-operational finance expenses totalling US$ 1.7 million following the extinguishment of the old debt facility and recognition the new debt facility that completed in the year, (refer to Note 30 in the consolidated financial statements).

The Group returned to profitability for the first time since 2016 with a net profit for the year of US$ 31.2 million (2020: net loss of US$ 124.3 million) and an adjusted net profit of US$ 18.0 million (2020: adjusted net loss of US$ 15.3 million).

Capital structure and liquidity

Net bank debt reduced to US$ 371.3 million (2020: US$ 406.2 million). A combination of reduced debt and improved adjusted EBITDA led to a 28% reduction in the net leverage ratio reducing from 8.0 times in 2020 to 5.8 times at the end of 2021. The Group will continue its focus on organically reducing leverage going forward.

The Group successfully concluded a US$ 27.8 million equity raise in June 2021 which prevented an event of default on its loan facilities. Under these facilities, the Group is required to raise a further US$ 50 million of equity by the end of 2022 or issue 87.6 million warrants entitling the Group's banks to acquire 132 million shares, or 11.5% of the share capital of the Company, for a total consideration of GBP £7.9 million, or 6.0p per share.

The Group is exploring the various contractual options available per the current bank terms to take place by the end of 2022. As disclosed, the two options available are the raise of US$ 50 million equity or the issuance of 87.6 million warrants giving potential rights to 132 million shares if exercised. As at 31 December 2021, neither of the two contractual scenarios had been ruled out. The Board however consider the more likely outcome will be the issuance of warrants rather than the equity raise.

Interest on bank borrowings reduced by 36.5% to US$ 17.5 million (2020: US$ 27.6 million) following the renegotiation of the Group's bank facility in March 2021, the reduction in net bank debt, following the successful equity raise and a reduction in average LIBOR to 0.2% (2020: 1.0%), (refer to Note 36 in the consolidated financial statements).

Commercial and operations

The Group secured nine new contracts in the year, worth US$ 66.0 million (2020: seven contracts worth US$ 18.0 million). Tender and bid activity increased, with 2.6 vessel years of projects that are due to commence in 2022 currently in the pipeline. Evolution commenced its first long-term contract utilising its cantilever system.

Despite challenges brought by COVID the Group has achieved its best year for financial performance for many years. Average utilisation, particularly for K-Class vessels, has remained at its highest since 2016. New charters and extensions secured in year totalled 9.6 years. Operational downtime continued the trend of recent years of being low at 1.5% (2020: 1.6%).

Governance

Three new non-executive Directors joined the Board during 2021, with the appointment of Jyrki Koskelo, Anthony St John and Charbel El Khoury in February, May, and August 2021 respectively.

I currently hold the position of Chairman and Chief Executive, 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, at this stage in the Group's turnaround process, this continues to be appropriate. This recognises both the level and pace of change necessary for the Group and its relatively small scale. This will be regularly assessed by the Board as the Group progresses through its turnaround process.

	2021 US$m	2020 US$m	2019 US$m
Revenue	**115.1**	102.5	108.7
Gross profit/(loss)	**60.6**	(55.5)	(25.0)
Adjusted EBITDA[1]	**64.1**	50.4	51.4
Impairment reversal/(impairment)	**15.0**	(87.2)	(59.1)
Net profit/(loss) for the year	**31.2**	(124.3)	(85.5)
Adjusted net profit/(loss)[2]	**18.0**	(15.3)	(20.0)

1 Represents operating profit/(loss) after adding back depreciation, amortisation and the reversal of impairment in 2021 and depreciation, amortisation, an impairment charge and adjusting items in 2020. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 30.

2 Represents net profit/(loss) after adding back depreciation, amortisation the reversal of impairment and adjusting items in 2021 and depreciation, amortisation, an impairment charge and adjusting items in 2020. This measure provides additional information in assessing the Group's total performance that management can more directly influence and is comparable from year to year. A reconciliation of this measure is provided in Note 30.

Removal of material uncertainty

The Group is currently operating as a Going Concern without any material uncertainties. This is the first time the Group has been operating as Going Concern without any material uncertainties since 2017.

Safety

There were two recordable injuries in the early part of 2021. One Lost Time Injury and one Restricted Work Day Case. This led to an increase in our Total Recordable Injury Rate from 0.0 (2020) to 0.2 (2021), and an increase in our Lost Time Injury rate from 0.0 (2020) to 0.1 (2021). These levels remain significantly below industry average and in both cases have since returned to zero in early 2022. Two vessels celebrated safety milestones in the year, with both Evolution and Endeavour reaching five years without incident.

We continue to develop our systems and processes to ensure that our offshore operations are as safe as possible in line with the expectations of our customers and stakeholders.

Taskforce on Climate-related Financial Disclosures

This year the Annual Report includes our first Task Force on Climate-related Financial Disclosures (TCFD). This is a new requirement for premium listed companies on the London Stock Exchange. We welcome the introduction of this regulation, having previously committed to adopting the TCFD recommendations by 2022. GMS acknowledged climate change as an emerging risk in 2019, and in December 2021, recognised it as a principal risk.

The Group has complied with the requirements of LR 9.8.6(8)R, by reporting on a 'comply or explain' basis against the 11 recommended TCFD disclosures. As of 31 December 2021, the Group was unable to make disclosures that were consistent with those of the TCFD for ten out of the eleven disclosures. The Group aims to be fully compliant by 31 December 2022. Refer to page 4 for further details.

Outlook

Due to the strong pipeline of opportunities expected to come to the market, the Group anticipates seeing continued improvements in day rate and utilisation levels in 2022. Secured utilisation for 2022 currently stands at 88% (equivalent in 2021: 73%).

Secured backlog stands at US$ 179.2 million as at 1 April 2022 (US$ 207.3 million as at 1 April 2021) and average secured day rates at US$ 28.9k, 12.6% higher than 2021 actual average day rates. Given the current high levels of utilisation secured, combined with higher day rates, the Group expects the financial performance to continue to improve and reiterates its EBITDA guidance of between US$ 70-US$ 80 million for 2022.

Mansour Al Alami
Executive Chairman
12 May 2022

Delivering on Our Responsibility for A Sustainable Future

Environmental, Social and Governance Factors

Recognising the Group's principal activities continues to be the provision of vessels to the offshore oil, gas and renewable energy sectors, We are constantly looking for ways to reduce our impact on the environment. Below are some of the most recent initiatives that we have implemented to reduce emissions across the business, refer to page 14 for further details.

In 2022, GMS will be measuring itself against the "The global standards for sustainability reporting" or "GRI Standards" to enable it to report consistently and transparently on progress. As a premium listed FTSE firm, the Group is required under the UK Listing Rules to adopt the Task Force on Climate-related Financial Disclosures (TCFD) and included below is the first assessment and plan going forward. The mandatory report of Greenhouse Gas Emissions is also provided below.

Environment

Task Force on Climate-Related Financial Disclosures (TCFD) Report 2021

The Group has complied with the requirements of LR 9.8.6(8)R, by reporting on a 'comply or explain' basis against the 11 recommended TCFD disclosures as outlined further below.

As of 31 December 2021, the Group was unable to make disclosures that were consistent with those of the TCFD for ten out of the eleven disclosures due to the fact that TCFD compliance activities were not initiated until Q4 2021. Where we have not complied, we have provided our anticipated date for compliance and the next steps.

The Board took the decision in December 2021 to include climate change as a principal risk, albeit it is one which the Board considers to have a low overall likelihood/ impact on the Group's operations as at 31 December 2021 (refer to the Governance section below and Note 5 of the consolidated financial statements for further details). Following this decision, further work has been undertaken during 2022 by management in conjunction with a third party ESG advisor; and the Group aims to be fully compliant with all eleven disclosures by 31 December 2022.

We have assessed where we can improve in the future to provide the fullest disclosure on each recommendation. As a result, in 2022 we will be undertaking a full Scope 3 analysis, developing a net-zero strategy, and financially modelling our climate-related risks and opportunities.

The table below outlines each disclosure with its compliance status as of 31 December 2021 and our aim is to become fully compliant in 2022.

Compliance with and departures from the TCFD recommendations

Theme	Disclosure	Position as of 31 December 2021	Planned compliance date and plans to achieve compliance
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	Compliant as at 31 December 2021	
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Non-compliant	31 December 2022 In 2022, management will monitor all potential risks and opportunities to the business and to include climate change as a key risk for discussion during risk management workshops.
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Non-compliant	31 December 2022 In 2022, we will financially assess the climate-related risks to determine those which could have material financial impact on the organisation. This process will be described in our 2022 report.

Theme	Disclosure	Position as of 31 December 2021	Planned compliance date and plans to achieve compliance
Strategy continued	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Non-compliant	31 December 2022 In 2022, after our financial impact assessment, we will be able to describe potential impacts of climate-related issues on our financial performance and where it has been used in our financial planning process. We will also be developing a net-zero strategy in line with the emission reduction commitments of jurisdictions where we operate.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Non-compliant	31 December 2022 In 2022, we will expand on the potential impact of climate-related issues on financial performance based on our financial assessment.
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks.	Non-compliant	31 December 2022 In 2022, we will continue to establish/enhance the Group's processes for the identification and assessing of climate related risks.
	b) Describe the organisation's processes for managing climate-related risks.	Non-compliant	31 December 2022 In 2022, we will ensure that climate change is included as a key risk for consideration in our overall risk management workshop and feedback the outcomes to the Audit and Risk Committee.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Non-compliant	31 December 2022 In 2022, we will undertake a climate change specific risk management workshop with a third party specialist to determine risks, opportunities and mitigating actions required by the Group. These risks and measures will be included in the overall risk register.
Metrics & targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Non-compliant	31 December 2022 In 2022, we will calculate GMS's Scope 3 emissions and formulate its net-zero strategy. Without understanding GMS's global carbon footprint, it is impossible to develop climate-related metrics in line with the corporate strategy and risk management process.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Non-compliant for Scope 3	31 December 2022 In 2022 we will calculate GMS's Scope 3 emissions and highlight material emission categories.
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Non-compliant	31 December 2022 In 2022 we will calculate GMS's full emissions footprint, and from this baseline, we will formulate emission reduction targets and pathways. In future years, we will report annual progress against these targets.

Overview – *Where do we stand with TCFD?*

The Group recognises that as part of our long-term business strategy, we need to operate responsibly, and as part of this, as we achieve compliance with the TCFD disclosure requirements, we want to be transparent about the climate-related risks and opportunities facing our business. This is an area where our industry as a whole needs to improve, and as such, we welcome the introduction of mandatory TCFD reporting. We recognise that climate change is a growing area of concern for all businesses, and the adoption of the TCFD disclosure requirements in 2022 will allow us to carefully analyse the associated risks and opportunities to our operations. The TCFD categorises the risks as transition and physical. Transition risks are the risks associated with the decarbonisation of the global economy; physical risks are associated with acute and chronic impacts of the changing climate.

Governance – *Ensuring accountability and responsibility for climate-related risks.*

Climate change has become an area of increased interest for the Board, senior management, and GMS' stakeholders in recent years. In 2019 climate change was recognised as an emerging risk, and in December 2021, it was added as a principal risk. As explained in Note 5 of the consolidated financial statements, the Board does not believe the Group will face any significant negative impacts of climate change on demand levels for its vessels in the near term (due to a combination of: the expected continued demand for oil and gas to be produced in the Group's core market of the Middle East; and the alternative opportunities that exist for the Group to deploy more of its fleet in offshore renewables in the long-term without major additional capital expenditure being required on its vessels in order to do so). On this basis, the Board has determined the overall risk of climate change to remain as low likelihood, low impact as at 31 December 2021. Notwithstanding this assessment, elevating the risk of climate change to a principal risk will mean that it will be discussed going forward at each Board meeting as part of the principal risk review item and be part of the Group's enterprise risk assessment procedures which are described below under Risk Management and in the broader Risk Management section of this Annual Report.

The TCFD recommendations have provided guidance for improving GMS's climate-change governance mechanisms, such as the introduction of climate scenario analysis in January 2022, and the financial modelling which is planned for Q2 2022. This analysis/modelling was not performed in 2021 as TCFD compliance activities were not initiated until Q4 2021/Q1 2022. We will however continue to monitor developments in the TCFD framework and ensure that we develop our processes accordingly to ensure that we are able to increase our disclosure compliance levels in the future.

The Board's Oversight

The Board has overall responsibility for ensuring that risks are effectively managed. As part of its regular risk assessment procedures going forward, the Board will take account of the significance of ESG matters, including climate change, to GMS' business. It reviews and discusses risk management at each principal Board meeting, focussing on principal risks. The Board reviews the risk profile formally on an annual basis. In the February 2021 Board meeting, risks were discussed and climate change remained an emerging risk. In December 2021, it moved climate change onto the principal risk heat map when it was discussed as part of the ESG review.

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, including climate change as a principal risk as of December 2021. It will receive reports from external advisers as required, to enable it to discharge its duties and to be given a deeper level of insight on certain business matters. It was not feasible to assess the potential financial impacts of the risks and opportunities of climate change on the business in 2021. The quantification of the potential risks and opportunities will be introduced into the climate risk assessment process in Q2 of 2022 and be subject to the Audit and Risk Committee's internal controls.

Senior Management's role

The Senior Management team (the Group Financial Controller, the Group Financial Accounting Team Leader, and the HSEQ Manager) is responsible for assessing, managing, and reporting the potential risks and opportunities to the Board and the Risk and Audit Committee. From 2022 onwards, this will include risks associated with climate change. The Senior Management team will meet with the Executive Chairman at least twice a year to conduct risk management workshops. Senior management has provisionally evaluated the potential long term impacts of climate change through climate scenario analysis. In 2022, it will conduct further financial impact modelling and submit the results to the Audit and Risk Committee for its internal control processes. Figure 1 below provides an overview of the delegation of responsibilities between the Board, the Audit and Risk Committee and the Senior Management team.

Figure 1: Delegation of responsibilities for risk management, including climate-related risks, in GMS

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

The Audit and Risk Committee
The Committee's 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.

Strategy – *Building climate resilience into our business strategy.*

Climate change was recognised as an emerging risk in 2019, and since the addition of climate change as a principal risk in December 2021 in response to the TCFD recommendations, the Board has initiated work to understand the impact of climate change on the Group's operations, strategy, and financial planning. As a result of this, an initial climate change risk management workshop was arranged and facilitated by an external ESG advisor in January 2022 where the results of a detailed climate-related scenario analysis were discussed. The analysis was carried out across GMS's three office locations (Abu Dhabi, Doha, and Dammam) and two vessel locations (the Gulf and the North Sea). The preliminary results of this workshop are presented below.

The preliminary climate-related scenario analysis conducted in Q1 2022, together with subsequent analyses planned to take place during the coming months, will enable Senior Management to assess the Group's operational resilience to potential climate-related risks and opportunities. Each potential climate-related risk and opportunity will be provisionally assessed and classified through the use of the Group's existing risk classification process over the short (2020-2025), medium (2025-2035) and long (2035-2050) term to determine the inherent impact on the business strategy.

This was the first year that GMS has been required to fully integrate the TCFD recommendations into the risk management framework and, as noted above, it has not achieved compliance with ten of the eleven TCFD requirements as of 31 December 2021. One area of non-compliance noted was that the Group has not reported the potential financial impacts of climate change on its operations. As disclosed in Note 5 to the consolidated financial statements, the current analysis shows no immediate significant financial impact of climate change on the carrying value of the Group's assets as at 31 December 2021. The intention is to achieve full compliance with the TCFD disclosures as at 31 December 2022; and therefore during 2022, Senior Management will conduct the necessary financial modelling of the potential risks and opportunities and the aim is to report on the financial impacts in next year's TCFD Disclosure.

Climate scenarios are possible future global warming pathways that can be used to interrogate GMS's potential climate-related risks and opportunities over the short, medium and long term. This will enable Senior Management to evaluate its operational resilience to climate change and introduce mitigation measures. Table 1 lists the eight climate-related risks provisionally identified as having an Amber rating in at least one scenario and timeline.

The scenarios were modelled using data from several established models, including CORDEX (Coordinated Regional Climate Downscaling Experiment), CLIMADA (Climate Adaptation) and IAM (Integrated Assessment Models) data. Climate Warming Pathways:

- **<2°C by 2100:** approximately aligned with the Paris Agreement target of max. 1.5°C of warming above pre-Industrial levels. This scenario requires coordinated efforts by governments and businesses to rapidly reduce carbon emissions through policy and operational changes, leading to high levels of transition risks but limited physical risks.
- **2-3°C by 2100:** based on the pledges agreed at the end of COP26, it is estimated that this is the level of warming currently expected. This scenario is envisaged as the outcome of reactive action from governments, with policy being introduced ad-hoc, whilst only the most committed businesses take serious action; it is associated with the highest level of transition risks with some physical risks.
- **>3°C by 2100:** little to no action is taken over the next few decades in this scenario leading to limited transition risks but the highest level of physical risks.

The three warming pathways present a range of potential climate-related risks to GMS's operations over the short, medium and long term. Eight climate indicators, including precipitation, aridity and temperature, were provisionally modelled for each site and scenario. The most severe physical risks from climate change are present in the >3ºC scenario, and the transition risks are highest in the <2ºC and 2-3ºC scenarios. As most of the Group's operations are already in extreme climate conditions, the infrastructure we own has been built accordingly. The office buildings in the Middle East region are exposed to above 40ºC days for consecutive months. Therefore, the region's infrastructure design and our working schedules already consider these extreme weather conditions. Future scenario analyses will enable senior management to stress test GMS's operational and strategic resilience to climate change each year.

To determine the inherent risk of each potential risk, the impact and likelihood are combined to give the inherent risk rating. A Green, Amber or Red classification is assigned based on the inherent risk rating and the control effectiveness. A Red rating represents an elevated inherent risk rating with limited current controls. The Amber risk classification indicates an elevated inherent risk rating with some risk exposure remaining after introduced controls. The Green risk rating means the risk exposure is low. Eight of the sixteen provisional risks identified have an Amber rating in at least one scenario and timeline and two of the sixteen are have been linked to two scenarios. Table 1 below shows the scenarios and timeline when each risk is initially classified as Amber. The other six risks considered have a Green rating across all scenarios and timelines. None of the risks identified have a red risk rating as at 31 December which is consistent with the Board's view that shows no immediate significant financial impact of climate change on the carrying value of the Group's assets as at 31 December 2021. The Group's risk management system is explained on page 28.

Table 1: Provisional Transition risks with an Amber rating, with the scenario and timeline in which an Amber rating is first assigned.

Risk Type	Climate-related Risk	Scenario	Timeline	Potential Likelihood	Potential Impact	Context
Transition risk	Increased policy and reporting requirements in the UK	<2°C	Short	Almost certain	Moderate	GMS is listed on the London Stock Exchange and is subject to UK climate change and environmental reporting regulations. Such changes to policy and reporting requirements are considered to be almost certain to occur in the short term. However, the concentration of the Group's vessels in the Middle East region (with only one of the Group's vessels currently located in the UK) would likely mean that the potential operational/financial impact of such changes would be limited to Moderate. The Group aims to mitigate this risk by carefully monitoring legislative developments to minimise instances of non-compliance with all relevant laws both in the UK and the Middle East.
	Increased policy and reporting requirements in the UAE	<2°C 2-3°C	Medium Medium	Possible Possible	Significant Significant	Fewer climate-related policy obligations are anticipated for operational Gulf sites (as compared to the UK reporting regulations noted above) in the short term, hence the potential likelihood of this risk deemed to be lower ("Possible" as compared to "Almost certain") than that noted above for the UK. However, if such policies and increased regulations were to be introduced over a longer time period, then the concentration of GMS' fleet in the Middle East would result in a relatively higher ("Significant") potential impact. The Group carefully monitors legislative developments to aim to ensure compliance with all relevant laws both in the UK and the Middle East.
	Changing investor sentiment	<2°C	Short	Possible	Significant	There is increasing concern over fossil fuel use in the UK/EU, although demand for oil and gas is predicted to grow. Although as a result new investors may become more challenging to find, current shareholders (>50% of which are Middle East based) are heavily invested in the Company's existing strategy and business model and therefore the likelihood of a Significant impact is only considered Possible in the short term. This TCFD disclosure will inform investors about our response to climate-related risks and opportunities.

Risk Type	Climate-related Risk	Scenario	Timeline	Potential Likelihood	Potential Impact	Context
Transition risk continued	Wider stakeholder concern; reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention)	<2°C 2-3°C	Short Short	Possible Possible	Significant Significant	It is possible in the short term that increased stakeholder concern may be seen, including from employees who may start to take company environmental action and preparedness into account. This could impact the Group's revenue and employee retention. In a <2°C, where action is required, this concern could be greater. It would be lower in a 2-3°C where action is being taken sporadically. However, given the Group's workforce requirement is concentrated in its core market of the Middle East, where the expectation is that the economy will continue to be reliant upon and supportive of oil and gas production for many years, it is not anticipated that the Group will not be able to attract suitably experienced/qualified employees so as to avoid any operational disruption. We will aim to provide disclosures to inform our stakeholders of our plans to respond to climate related risks.
	Costs to transition to lower emissions technology	<2°C 2-3°C	Medium Medium	Possible Unlikely	Major Major	A requirement to transitioning to lower emissions technology is possible in the medium term under a <2ºC scenario and this could be associated with additional costs for GMS. The impact could be the same in a 2-3ºC but this is considered unlikely. This is still an amber risk despite the reduced likelihood given potential quantum. We are aware that we may need to consider environmental legislation when replacing vessels that are being retired in the long term. In this event, significant R&D would be needed for electric vessels. GMS will consider buying these when they are available. However, as per Note 5 of the consolidated financial statements, as an operator of state-of-the-art vessels in both the oil and gas and renewables (offshore wind) sectors with experience in multiple geographical areas, the Group's fleet offers significant operational flexibility. For the reasons noted above, the risk of changes in operational policies and regulations in the Group's core market of the Middle East is only considered as Possible in the Medium term. Further, the Group anticipates there will be sufficient future demand to deploy its fleet in both the offshore oil and gas markets in the Middle East and the UK and/or to the renewables market without the need to incur major additional capital expenditure on the vessels.

Risk Type	Climate-related Risk	Scenario	Timeline	Potential Likelihood	Potential Impact	Context
Transition risk continued	Introduction of Carbon pricing and taxes	<2°C 2-3°C	Medium Medium	Likely Possible	Significant Major	It is likely that in a <2°C scenario, carbon pricing and taxes could be introduced in the medium term and the potential cost impacts of this could be significant. For a 2-3°C scenario, the likelihood is considered possible and the impact could be major, as pricing would/may be introduced more gradually. Changes in tax legislation will be closely monitored and internal models can be used to factor this into the business strategy.
	Increased costs and/or reduced demand for products and services resulting from fines and judgments	2-3°C	Long	Likely	Significant	Given the Group's core market is in the MENA region, management do not expect this to have a major impact in the short or medium term. However, if legislative developments are not carefully monitored to ensure full compliance, it is possible that there may be increased costs due to fines and potentially reduced demand for products. This is considered likely in the long term of the 2-3°C scenario and, if it happened, the impact could be significant. The Group mitigates this risk by closely monitoring compliance with current and future legislation so as to reduce the likelihood of receiving fines for non-compliance.
	Changing consumer preference, reduced demand for goods and services due to a shift in consumer preferences	<2°C	Medium	Possible	Significant	In a <2°C scenario where urgent action is being taken, it is possible that there could be changing customer preferences resulting in reduced demand for goods and services. This could have a significant impact in the medium term. The Group will continue to monitor any shift in consumer demand across the regions it operates in. However as noted above and in Note 5 to the consolidated financial statements, a Westwood Global Energy Group report predicts an increase in demand for oil and gas over the next 40 years, including in the Group's core markets. GMS also has a proven track record in the renewables sector which provides versatility in our business model such that the Board is confident that the Group will not face any significant impact on the demand for its vessels due to climate change implications beyond the extent reflected in management's assumptions and sensitivities.

Transition risks

GMS has provisionally identified three short term risks: increasing UK policy requirements, changing investor sentiment, and wider stakeholder concern. As a premium listed company on the London Stock Exchange with operations primarily in the Gulf region, GMS is subject to UK climate change and environmental reporting regulations. We foresee the short-term reporting obligations increasing in the UK under <2ºC and 2-3ºC scenarios, while we anticipate fewer climate-related policy obligations in our operational Gulf sites. The Group will continue to monitor upcoming legislation for both regions to aim to ensure compliance.

There is increasing investor and wider stakeholder interest in how we engage with climate change as a business. If we do not respond appropriately to changing investor sentiment, there is a risk to our ability to raise capital, especially from investors operating outside of the Middle East region. It is essential to highlight however that our client base is predominately in the Middle East, a region home to five of the top ten oil-producing countries and is responsible for producing approximately 27% of the world's oil production. In addition, our two largest investors (>50%) and our banking is based in the Middle East. Although the transition to cleaner energy continues to gather pace, demand for oil and gas will continue to account for over half of the energy mix by 2040 (Westwood Global Energy Group report), even in the most ambitious energy transition scenario. Based on the predicted continued growth of the oil and gas industry in the Middle East, the Board consider the risk of investor sentiment changing within this region is relatively low ("Possible" per the table above) in the immediate near term. Nevertheless, we recognise that the likelihood of this risk will increase in the medium to long-term in the <2ºC and 2-3ºC scenarios. By providing relevant disclosures in future periods, we will inform our investors and wider stakeholders, including our employees, about any changes to our current business model and strategy concerning climate change.

We identified a long term risk as the transition to greener vessels and those able to operate in deeper seas. The costs of transitioning to lower emission technology have also been considered. We anticipate the risk likelihood of changing vessels will increase over time, alongside improvements in industry research and the development of greener vessels. Although we have not financially modelled each risk as at 31 December 2021, the Board do not consider that vessel replacement costs would significantly impact our business at this point in time. The Board expect that existing vessels will likely need to be retired/ fully depreciated across their remaining useful lives before we are required to replace them with greener options.

One climate-related opportunity previously identified was GMS's vessel support to the renewable sector. This opportunity introduces versatility to GMS's strategy as the Board reviews the potential impacts of the transition to a low carbon global economy.

Physical risks

Our offices and most of our vessels are located in the Gulf region, which experiences an extreme climate with high temperatures, low precipitation, and high water stress. The region is well prepared to withstand extreme heat with regulations to restrict people from working outside during the hottest part of the day and buildings designed to withstand high temperatures. The provisional climate analysis suggests that sandstorms will become more frequent as temperatures rise and precipitation decreases. Each of the Group's vessels is equipped with a specialised filtration device to reduce the risk of sandstorms damaging the vessels' engines. Climate change will likely exacerbate water stress in the region; each of the Group's vessels is equipped with desalination equipment to mitigate water stress. All the above risks have therefore provisionally been assigned a Green rating. The provisional climate analysis suggests that sea-level rise in the long-term may affect the depth at which our vessels can operate. The types of vessels we invest in moving forward after retiring existing assets will therefore need to be able to operate at greater depths.

Risk management – *Embedding climate into our enterprise risk assessment process.*

Climate change is a wide-ranging and complex topic increasingly important to the general public, clients, investors and employees. In December 2021, climate change was added to our principal risks, which means it will now be fully embedded in the Group's enterprise risk assessment process going forward. The Group's enterprise risk assessment process begins with identifying and assessing risks. Mitigating controls are then identified. Identified risks are consolidated by the Senior Management into an overall heatmap for principal risks. The Audit and Risk Committee will review the risk profile at least quarterly. The Board will discuss the Group's risk register at each of its principal meetings and review the risk profile formally on an annual basis.

The introduction of TCFD has helped start the development of GMS's climate risk assessment with the introduction annual of climate scenario analysis in 2022 to understand the impacts of climate change on our operations. This will further evolve in 2022 with financial impact assessment.

Climate scenario analysis and subsequent risks assessment were not conducted during 2021 and first provisional assessment has been conducted in January 2022. Three interrelated steps were undertaken as part of this:

Step 1 – Identifying the risks:
Senior management, with the support of specialists, used climate-scenario analysis to provisionally identify sixteen potential transition and physical risks to the business over three climate warming pathways and three timelines.

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

Step 3 – Addressing the risks:
Control actions can be implemented to prevent, reduce or mitigate risk. Each provisional risk was appraised to determine the most appropriate approach and control actions defined. A provisional control effectiveness rating was assigned, which, combined with the inherent risk rating, allowed each provisional risk to be given an overall rating of Red, Amber or Green for each scenario and timeline. Overall, ten risks were provisionally assigned an Amber rating in at least one scenario and timeline.

From 2022 onwards, this process be will repeated at least annually with the climate scenario models rerun, the provisional risks being reassessed, and the controls checked to ensure they are still appropriate. There will also be risk management workshops at least bi-annually between the Executive Chairman and the Senior Management team where principal risks, including climate change, will be assessed for impact and likelihood.

Metrics & targets – *Identifying, measuring and monitoring our environmental impact.*

Our Scope 1 and 2 emissions have been calculated and reported on since 2019. Our Scope 1 emissions are related to the direct consumption of gas and fuels utilised for the Group's vessel operations. Our Scope 2 emissions are related to our indirect emissions due to our consumption of purchased electricity in day to day business operations. The Group uses no natural gas. We adhere to Streamlined Energy & Carbon Reporting (SECR) regulations. We have set 2019 as the baseline year for measuring and monitoring our Scope 1 and 2 emissions.

Currently, most of the Group's emissions footprint is related to our fleet's combustion of transportation fuels, but this is subject to change when we aim to calculate our Scope 3 emissions in 2022. Our vessels are leased to client's long term, but we account for their GHG emissions within our footprint. Our emission reduction efforts thus far have been focused on reducing our Scope 1 and 2 emissions. We are pleased to report a decrease in our Scope 1 and 2 emissions. However, we expect the significant drop in 2021 levels to be counteracted as we come out of the coronavirus pandemic. We report on our emissions annually to track improvements and intend to set reduction targets once Scope 3 calculations and our net-zero strategy are complete in 2022.

We have established workstreams to measure and track our progress against key goals set by the Group. Our work contributes towards helping the business grow whilst aiming to reduce our environmental impact to build climate resilience. The Group aims to identify and implement achievable emissions reporting targets by working closely with an expert third party and formalising a climate policy to meet these targets as a priority.

See energy efficiency actions below.

Carbon Emission Reporting

Scope 1 direct emissions (fugitive emissions and transportation fuels) for this year of reporting are 50,170 tCO_2e, resulting from the direct combustion of 184,706,865 kWh of fuel. This represents a carbon increase of 10% from last year.

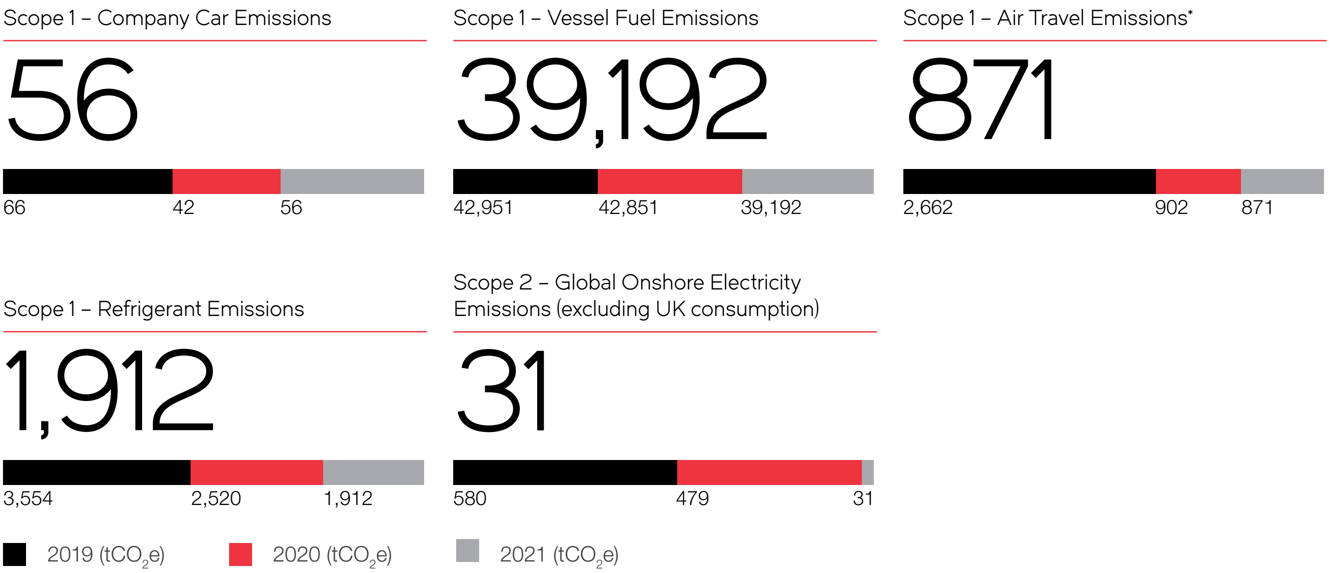
Scope 2 indirect emissions (purchased electricity) for this year of reporting are 31 tCO_2e, resulting from the consumption of 71,784 kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon reduction of 94% from last year.

In 2022, GMS's full Scope 3 emissions will be calculated, and its net-zero strategy formulated. Consistent with the Greenhouse Gas (GHG) Protocol Corporate Value Chain Accounting & Reporting Standard (version 1.0), GMS will aim to report on all the applicable Scope 3 categories. Once available, a complete GHG inventory will allow Senior Management to examine GMS's GHG emissions, set reduction targets, formulate a realistic net-zero strategy, and appropriately assess the Group's operational risk from climate change in line with climate-related scenarios.

Our operations have an intensity metric of 417.02 tCO_2e per US$m total revenue for this reporting year. This represents a reduction in operational carbon intensity of 7%, from the previous reporting year.

Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ relevant for reporting year 01/01/2021 – 31/12/2021: Database 2020, Version 1.0. The reporting boundary used for collation of the carbon emissions reporting data is the same as that used to prepare the consolidated financial statements.

Figure 1: The trend in electricity, air travel, refrigerant and vessel fuel emissions from 2019-2021.



* Air Travel Emissions for 2019 and 2020 calculated solely in-house.

The following figures show the detailed consumption and associated emissions for this reporting year for operations, with figures from the previous reporting period included for comparison.

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

Utility and Scope	2021 UK Consumption (kWh)	2021 Global (excluding UK) Consumption (kWh)	2020 UK Consumption (kWh)	2020 Global (excluding UK) Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	**0**	**71,784**	0	815,940
Gaseous and other fuels (Scope 1)	**0**	**0**	0	0
Transportation (Scope 1)	**15,330,963**	**169,375,902**	18,089,737	147,946,495
Total	**15,330,963**	**169,447,686**	**18,089,737**	**148,762,435**

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

Utility and Scope	2021 UK Consumption (tCO_2e)	2021 Global (excluding UK) Consumption (tCO_2e)	2020 UK Consumption (tCO_2e)	2020 Global (excluding UK) Consumption (tCO_2e)
Grid-Supplied Electricity (Scope 2)	**0**	**31**	0	479
Gaseous and other fuels (Scope 1)	**0**	**0**	0	0
Transportation (Scope 1)	**4,022**	**44,206**	4,674	38,219
Refrigerants (Scope 1)	**0**	**1,912**	0	2,520
Total	**4,022**	**46,148**	**4,674**	**41,217**

An intensity metric of tCO_2e per $m total revenue has been applied for our annual total emissions. The methodology of the intensity metric calculations are detailed in the appendix, and results of this analysis is as follows:

Intensity Metric	2021 UK Intensity Metric	2021 Global (excluding UK) Intensity Metric	2020 UK Intensity Metric	2020 Global (excluding UK) Intensity Metric
tCO_2e / Total Revenue $m	**34.76**	**398.78**	45.6	402.15

Energy efficiency actions

Closures of Offices and Facilities

The relocation of our offices and downsizing of onshore facilities has led to a 95% reduction in CO_2 emissions produced by electricity consumption from 2020 to 2021.

Decrease in business travel (COVID-19)

Levels of business travel remain suppressed and due to changes in crew rotations, we have seen a slight decrease (4%) in air travel CO_2 emissions.

Change in refrigerant

We changed the refrigerant used on our vessels for the cooling process, resulting in a 30% decrease in refrigerant emissions in 2020. In 2021 we decreased our refrigerant emissions by a further 25% through better maintenance and equipment. In addition, we are now evaluating using R32 on all our vessels which would significantly reduce the Global Warming Potential of our fleet.

Moving forward, the Group aims to identify and implement achievable emissions reporting targets and formalise a climate policy to meet these targets as a priority.

Table 2: Overarching goals and key workstreams to achieve them.

Goal	Key workstreams
Reduce GHG emissions	Restrict non-essential business travel
	Trialling of a lube oil filtration system on our vessels
	Expand our reporting to Scope 3 emissions next year
Reduce refrigerant emissions	Change Refrigerants
Implement waste reduction plans	We are developing a process to record waste data to set waste-related targets
	Reducing our use of plastic bottles offshore
Engage our supply chain on its climate impact	Conduct supplier environmental assessments
	Run climate scenario analysis on our key supplier routes

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 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 exceed stakeholder expectations, including clients.

The reputation and integrity of the business are important. Therefore, 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.

Turnover

Voluntary employee turnover increased to 14% in 2021 versus 8% in 2020. The increase in the turnover trend was seen after the COVID restrictions were relaxed in some countries and are in line with pre-COVID levels of staff turnover.

Diversity

The Group's workforce consists of 545 personnel recruited from 34 countries. The significant experience and skills individuals bring to GMS help it conduct its business globally. GMS recognises its talented and diverse workforce as a competitive advantage and ensures that diversity is maintained across all areas by implementing an Equal Opportunities Policy.

The information on page 16 provides details of the gender diversity and country of origin of our personnel as of 31 December 2021.

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

For cultural and legal reasons, the extent to which the number of offshore female personnel can be increased is limited. Local labour laws, for example, in the countries in which GMS currently operates in the Middle East, stipulate those 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

The employee engagement survey was rolled out at the end of 2021, with an 82% completion rate. This is consistent with the last survey that was conducted in 2019 for the entire GMS workforce. 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, GMS launched it's internal 'Bright Ideas' campaign to encourage employees to share their ideas to drive efficiencies in their areas of work.

In 2021, the focus continued on employee's Health and safety, due to the potential risks arising from COVID-19. There was regular COVID-19 onsite testing. All employees were actively encouraged to get vaccinated and the year-end vaccination rate is 98%. Onshore, GMS introduced Flexible Working Hours to improve work-life balance and drive efficiencies within the organisation with Work from Home option under certain circumstances. Crew rotations, for offshore employees, were changed to cater to COVID-19 travel and quarantine restrictions to adhere to client and government requirements.

Rashed Al Jarwan was appointed as the new dedicated Workforce Engagement Director in 2021. A hybrid Town Hall style meeting was conducted with him for all onshore and offshore staff in the last quarter of 2021. On an ongoing basis, 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.

Share ownership

The Group has operated a long-term incentive plan since 2014. Please see pages 67 to 68 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. There is no guaranteed variable pay awards at GMS, with all pay being performance-based. The 2022 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 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. In 2021, GMS promoted 22 employees.

Learning and development

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

Ethical practice

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

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

GMS maintains an awareness of human rights issues, which is reflected in its suite of Group policies, including the Anti-Corruption and Bribery Policy, Anti-Slavery Policy, Social Responsibility Policy and Whistleblowing Policy.

Whistleblowing reporting service

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

- gives a voice to employees, contractors, suppliers and supply chain and other stakeholders;
- helps maintain a culture of openness;
- demonstrates that GMS takes malpractice seriously;
- provides 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.

People

Total number of employees
545
(2020: 532)

Offshore
490
(2020: 479)

Onshore
55
(2020: 53)

Voluntary turnover
14%
(2020: 8%)

Total number of Direct Reports to Senior Managers
13

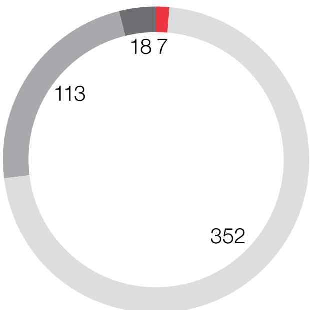
Total number of Senior Managers
3

Nationalities
34
(2020: 35)

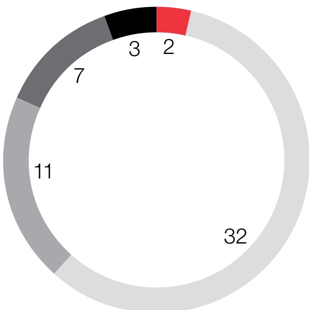
Male Female

GMS Employees – By Region 2021

Offshore



Onshore



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

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.

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

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

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

Number of work-related fatalities

0

(2020: 0)

Number of recordable work-related injuries

1

(2020: 0)

Number of high-consequence work-related injuries

1

(2020: 0)

Number of hours worked

1,962,081

(2020: 2,030,955)

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)
Equity raise	40% (48% stretched)	Less than US$ 30.0m – Greater than US$ 35.0m
EBITDA	40% (48% stretched)	Less than US$ 50.0m – Greater than US$ 70.0m
EBITDA margin	10% (12% stretched)	Less than 44.0% – Greater than 52.5%
Securing contract % of 2022 budget revenue	10% (12% stretched)	Less than 60% – Greater than 90%
Total	**100%**	

1	Equity raise*	<US$ 30m	US$ 30m	US$ 30.1m-US$ 35m
	Score	0%	40%	40-48%* max

2	EBITDA*	<US$ 50m	US$ 50m-US$ 54m	US$ 54.1m-US$ 56m	US$ 56.1m-US$ 58.3m	US$ 58.4m-US$ 70m
	Score	0%	0-10%*	10-25%*	25-40%*	40-48%* max

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

4	Securing contracts % of 2021 budget revenue*	<60%	60%-65%	65.1%-70%	70.1%-75%	75.1%-90%
	Score	0	0-2%*	2-8%*	8-10%*	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).

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 resources

Safety culture

Safety is the top priority and is underpinned by a Health, Safety, Environment and Quality (HSEQ) management system and strong safety-focused culture.

Young and modern fleet

With an average age of 11 years, the fleet of 13 SESVs are designed to meet the operating standards our client's demand. This is particularly important whilst tendering 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 30 countries and has extensive experience in the global SESV sector. GMS trains 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 across different locations. The flexibility of the fleet allows the highest quality of service to be delivered 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. 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. GMS plans to upgrade cranes on its K-Class vessels to enhance their capability.

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 one of 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 revenues through maximising utilisation and improving daily charter rates through contract awards, reduction in operational cost base and an improved capital structure.

Customers

Safe, reliable and cost-effective services that allow clients to maximise their operations. This focus on safety means that GMS has an excellent reputation and track record for delivering the highest quality services to its customers.

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. Maximise the opportunity to increase daily charter rates driven by the improving supply/demand dynamics in our core markets. 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 delivery of cost efficiencies throughout the business and reduce our working capital.
#3 Establish and operate within an appropriate financial framework	Establish appropriate long-term sustainable debt and capital structure. Maximise cashflows to reduce the net leverage ratio.
#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.

2021 progress	Future priorities & challenges
13 contracts and extensions awarded, with a combined charter period of 9.6 years (including options). Utilisation increased to 84% (2020: 81%), the highest level since 2015. Contracts awarded in the latter half of 2021 saw a solid improvement on day rates which will benefit the Group from 2022 and beyond. 88% of vessel utilisation already secured for 2022.	Focus on securing contracts that add 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. 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.
Continued focus on supply chain optimisation with contracts being renegotiated and local and international suppliers continuously monitored to provide better diversification and value for money. Limiting capital expenditure to maintaining the fleet to a level that ensures safe operations and meets client requirements.	Continual focus on operations to identify further opportunities to deliver cost efficiencies where possible. Ensure safe and reliable operation of fleet. Manage inflationary pressures appropriately.
Met our bank's requirement to raise a minimum of US$ 25 million (net) of new equity as at 30 June 2021 which prevented an Event of Default occurring on the Groups' loan facilities. Reduced net leverage ratio from 8.0 times at the end of 2020 to 5.8 times at the end of 2021.	Focus on improving utilisation and managing operating and capital spend to maximise cash generation with a continued focus on deleveraging the Group looking to reduce the net leverage ratio to below 4.0 times by the end of 2022 which would prevent PIK interest accruing on the Group's loan facilities from 2023. Under the Group's bank facilities, the Group is required to raise a further US$ 50 million of equity by the end of 2022 or issue 87.6 million warrants entitling the Group's banks to acquire 132 million shares, or 11.5% of the share capital of the Company, for a total consideration of GBP £7.9 million, or 6.0p per share. The Group is exploring the various contractual options available per the current bank terms to take place by the end of 2022. As disclosed, the two contractual options available are the raise of US$ 50 million equity or the issuance of 88 million warrants giving potential rights to 132 million shares if exercised. As at 31 December 2021, neither of the two contractual scenarios had been ruled out. The Board however consider the more likely outcome will be the issuance of warrants rather than the equity raise.
Organisational reduction and simplification with further strengthening of the Board. 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 institutional investors and private shareholders located across the world. The Remuneration Committee Chairman consults with shareholders on significant executive remuneration matters, for example, in 2021, implementation of the Company's Long-Term Incentive Plan (LTIP). GMS' website has a dedicated section with a specific email address for all shareholders to use, which is monitored daily, and all emails receive a response. There is also an investor presentation that accompanies the full and half-year results, which shareholders can dial into. Our annual AGM provides another forum for our shareholder base to engage. Refer to the Board Report on page 46 regarding protocols to manage information shared with the Group's non-independent non-executive Directors.	Investors are 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).	The Directors of GMS received a report on the Group's major shareholders from the registrar, in line with the Corporate Governance and results calendar. They also received reports on engagements with shareholders as they arose. The Executive Chairman engaged with major shareholders after the half-year and full-year results and throughout the year. The Executive Chairman interacted with shareholders on approximately 60 occasions during 2021. 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 Board considered the impact of improved borrowing terms with the Company's banks determining this would create a positive platform on which the future development and growth of the business could be based thereby protecting all stakeholders, including shareholders. This led to negotiations with the banks resulting in significantly improved borrowing terms being agreed. The Board recommended to shareholders a capital raise for the Company. At a general meeting in June 2021, over 99% shareholder votes received were in support enabling the successful completion of the share capital raise in the same month. Following full and careful consideration of the comments received from shareholders during a consultation in the second half of 2021, the Remuneration Committee is implementing the LTIP as further described in the Remuneration Report on page 68.

How GMS engages with stakeholders	Stakeholder objectives	How did engagement support Board decision making?
Clients		
GMS works closely with its customers to deliver an industry-leading offering. The Board is informed of all tender activity at each Board meeting. Senior management engage regularly with clients (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, immediate and ongoing tender requirements and future demand, and changes to strategy and/or technical or operational requirements. This informs critical business decisions associated with fleet deployment, prioritising future business development activity and resource and local content investment (HR, Procurement and Local Partnerships). It also helps with overhead sizing and allocation and capital expenditure planning, while meeting client needs.	Clients are mainly concerned with ensuring value for money in the services received. They also wish to ensure that services meet their specifications and are delivered efficiently and safely.	The Board combines strong relationships with key clients in the MENA region and a high level of industry knowledge. Engagement was instrumental in providing the information the Board needed to approve the Group's five-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 2021 this included the continuation of K-Class crane upgrades. 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. The Group paid US$ 11.5 million (2020: US$ 13.2 million) on capex in 2021. Refer to the Financial Review for more details.
Lenders		
During 2020 and 2021, there was extensive interaction between GMS and its lenders and respective teams, resulting in the borrowings being restructured in March 2021.	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 of debt. The successful equity raised in June 2021 removed the threat of a potential event of default under the Group's loan facilities and signalled to the Groups lenders that both existing and new shareholders supported the Group's long-term goals. Improved financial performance combined with the equity raise lead to a significant reduction in leverage to 5.8 times (2020: 8.0 times). Refer to the Financial Review on pages 36 to 38 for further details.
Suppliers		
GMS' supply chain is fundamental to the ability to deliver reliable operations. The Group has a strategy of long-term partnerships with key suppliers based on regular and transparent communication with suppliers through site visits, calls and surveys. The Group continuously reviews its existing supply chain which ensures continuity of supply. The Board received regular updates on this during the year.	Suppliers are primarily focused on fair and timely payment terms as well a collaborative approach and open terms of business. GMS works to maximise in country spending, which is a requirement from NOC clients.	The Board tasked senior management with identifying cost savings and maximising in country value. Engaging with suppliers allowed GMS to retender or renegotiate major supply contracts to improve efficiency and reduce costs.

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. 2021 saw regular communication to both on and offshore staff via weekly email updates and video communication from the Executive Chairman to all offshore staff. Despite logistic issues in the year, as a consequence of COVID-19, all non-executive Directors have visited our offices in Abu Dhabi and engaged with staff during their visit. Rashed Al Jarwan was appointed as the new dedicated Workforce Engagement Director in 2021. A town hall-style meeting was conducted with onshore and offshore staff in the last quarter of 2021.	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. Feedback from the meeting in the last quarter of 2021 will be considered in 2022. Refer to page 15 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, the promotion of local industries is seen as a prime community objective. As identified in our risk assessment on pages 28 to 33, GMS actively maximised local content across the core countries in which it operates. For consideration of the environment, please refer to pages 4 to 14 of the Annual Report. GMS is committed to responsible environmental policies and is compliant with the globally recognised ISO 14001 (Environment) standard.


GMS

2021 saw vessel utilisation increase to 84% (2020: 81%) with 100% utilisation attained at several stages throughout the year. This was principally as a result of an easing of operational restrictions, with regard to COVID-19, and a more positive outlook in overall energy demand leading to re-activation of delayed EPC project contract awards in GMS' core markets.

To fill a short-term gap in its schedule, one of our available E-Class vessels was contracted at K-Class rates during H2, ultimately resulting in average day rates for the overall fleet remaining relatively flat. The vessel has subsequently been awarded a new contract, which will commence in 2022 and will benefit from a doubling of the day rate.

Markets

Introduction

Offshore production growth continues across the MENA region and will require significant investment from E&P Operators, including the major NOCs, across both greenfield and brownfield developments. While multiple new platform installations are a key driver of SESVs demand (for construction-related services), the existing platform base drives significant demand for services, such as maintenance and well servicing (workovers), all key work scopes for GMS.

Further ambitious government targets have been set supporting investment in offshore wind capacity with specific plans in Western Europe and Asia increasing the demand for larger SESVs to support the installation of wind farms, with vessel fungibility a key supply consideration. As these markets, including now North America, invest more heavily in offshore wind, any movement of SESVs is expected to improve the market balance in GMS' key operating regions of MENA and North West Europe yet further.

MENA

2021 saw significant improvement in capital expenditure commitments by the major Middle Eastern NOCs, with many major EPC-related brownfield and greenfield projects re-activated after lengthy delays. At the same time, a majority of the contract awards directly with NOCs, to carry out maintenance and well servicing activity, continued to progress through the tender evaluation process but remained unawarded.

Stringent pre-qualification criteria for prospective SESV providers, along with typically longer-term contract awards, would have meant a considerable tightening in supply beyond what has happened over the course of the year. A number of these awards are now imminent and will effectively tie up a quarter of the existing regional SESV fleet and is expected to have a significant impact on day rate growth and utilisations going forward.

MENA region revenue was 89% of total Group revenue (2020: 88%) in 2021. The Company secured nine new contracts and the extension of four existing contracts during the year with a combined total of 9.6 years, including options.

2021 saw an increase in vessel mobilisations, with five of the nine mobilisations for EPC contracts in the Middle East, and three in the North Sea for a variety of wind farm-related projects. Only one mobilisation was directly with an NOC in the Middle East.

GMS' presence in Qatar continues to grow, with three E-Class vessels now operating offshore. Q4 2021 saw two contract awards for a total of three years, including options, with two global EPCs, a sign of growing opportunities in this area, in particular for GMS' higher specified and deeper water units. GMS Evolution continues to successfully utilise its cantilever workover system for an NOC client.

Throughout the year, GMS endeavoured to seek ways to improve in-country content, managing its supply chain and working with local partners which supports its ability to tender. In most cases, any work with NOC clients in these countries requires official certification, as well as a specific plan of improvement throughout the contract period. GMS continues to carry this out by actively looking at ways to enhance its supply chain via procurement of goods and services via well performing vendors, direct investment within the relevant country as well as nurturing local talent where possible.

North West Europe

There was a reduction in utilisation for the one E-Class vessel that remained in the North Sea to 73% (2020: 92%) as the vessel went on drydock in Q1 2021 following the completion of a contract.

Whilst tendering within the Oil & Gas sector in the North Sea still remains fairly muted, the vessel has benefitted from the continued improvement in offshore wind farm activity and the subsequent improvement in associated day rates as the average day rate increased from US$ 38.0k in 2020 to US$ 42.3k in 2021.

2021 has continued to see the movement of vessels from the region into higher demand markets (e.g. Asia and MENA) and an increase in vessel layups, reducing supply and supporting utilisation.

Market outlook

GMS' core market, the MENA Oil & Gas sector, has proved resilient and is expected to see strong growth, with notable increases being seen in both expressions of interest and tendering across the region in both capex and opex-led activities.

Offshore renewables in Western Europe, the largest, most mature and growing offshore wind market globally, is expected to see significant growth led by large projects in the UK and nascent markets, such as Ireland and Sweden. The significant ramp up in offshore wind farm (OWF) installations, alongside a growing OWF maintenance market, could lead to a potential SESV supply shortage within a few years, leading to higher utilisation and day rate levels.

Although the transition to cleaner energy continues to gather pace, global demand for oil and gas will continue to account for over half of the energy mix by 2040. As such, GMS' geographic focus and competitive asset base will continue to position itself well to benefit from two high-growth SESV markets, in both renewables and oil and gas, with the fleet continuing to offer increased operational flexibility with the likes of GMS' innovative technology-leading cantilever systems.


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

The effective identification, management and mitigation of business risks and opportunities is essential 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.

The Board took the decision in December 2021 to include climate change as a principal risk, albeit it is one which the Board considers to have a low overall likelihood/ impact on the Group's operations as at 31 December 2021. Following this decision, further work has been undertaken during 2022 by management in conjunction with a third party ESG advisor. As part of its regular risk assessment procedures, the Board will continue to assess the significance of ESG matters to GMS' business.

The enterprise risk assessment process begins with identifying risks through 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 periodically. The Board discusses the Group's risk profile in each principal meeting and reviews the risk profile formally on an annual basis (see page 50 for details of the Board's actions as part of their review).

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 Audit and Risk 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.

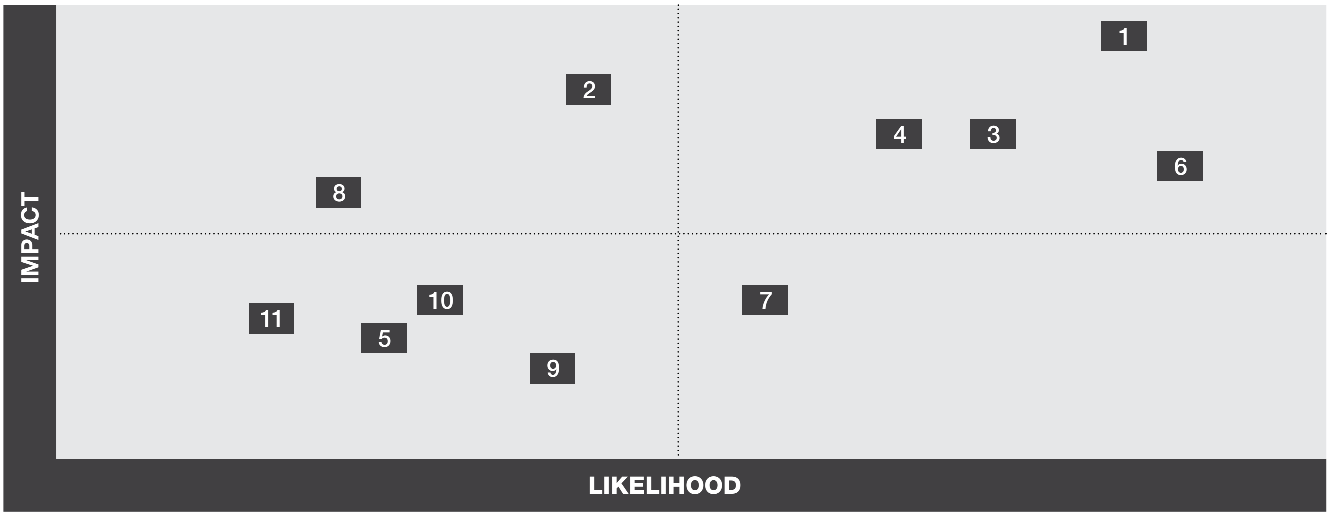
The Audit and Risk Committee reviewed control deficiencies identified during the prior year end and are satisfied management have improved certain areas where control deficiencies were previously identified.

The Audit and Risk Committee also reviewed further control deficiencies identified during the 2021 year end external audit and the areas of improvement needed to enhance controls in the following areas: controls over revenue recognition, impairment, financial reporting process, debt and equity raise accounting. They concluded that in 2021, despite implementing enhanced controls, there were still areas which could be improved further. As such, the Audit and Risk Committee will ensure there will be a review of internal controls to identify areas of improvement in 2022.

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

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
11 Climate change



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 & 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 and applicable regulations. 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 the business, financial condition and results of operations.	**Modification flexibility for clients** GMS' vessels are built to be as flexible as possible allowing the Group 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 certain 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 planned maintenance system has been upgraded to a more modern ERP, allowing overdue maintenance to be tracked and reported regularly. 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 were required to raise US$ 25 million by 30 June 2021, which was subsequently achieved. The Group is required to raise a further US$ 50 million of equity by 31 December 2022 or warrants will be issued entitling the Group's banks to acquire 132 million shares, 11.5% of the share capital of the Company for a total consideration of GBP £7.9 million, or 6.0p per share. PIK interest will also potentially accrue, only if leverage is above 4.0 times. Failure to meet the requirements of the Group's bank facilities may 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.

Successful equity raise in June 2021
The Group successfully concluded a US$ 27.8 million equity raise in June 2021, which prevented an event of default on its loan facilities, which in turn removed the material uncertainty as to the Group's ability to continue as a Going Concern that was reported in the full-year 2020 results.

Focus on deleveraging
The net leverage ratio has significantly reduced to 5.8 times compared to 8.0 times in 2020. With an improving outlook for the Group's business, and a continued focus on deleveraging, the Group aims, without relying on a second equity raise, to have net leverage ratio below 4.0 times by the end of 2022, in which case PIK interest would not accrue from 2023.

Exploring all options
The Group is exploring the various contractual options available per the current bank terms to take place by the end of 2022. As at 31 December 2021, neither the issuance of warrants nor equity raise were ruled out. The Board however consider the more likely outcome will be the issuance of warrants rather than the equity raise.

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 incident involving employees, visitors or contractors.

Inadequate preparation for emergency situations, such as pandemics or 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 coverage of all commercial contracts are in place.

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

Risk

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 secure ongoing work, its 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.

Mitigating factors and actions

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 since inception of the programme in 2019, in order to generate higher EBITDA and increased cash to service and repay debt. Continual review of costs and search for further efficiencies is ongoing.

Minimising capital expenditure
The Group is currently 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

Risk

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.

Mitigating factors and actions

Communication and engagement
Communication has remained a key practice of management, especially during the COVID-19 pandemic. Throughout the pandemic, the focus for employees has continued to be on safety and wellbeing through working remotely, regular testing and enhanced cleaning procedures.

In the current year, Rashed Al Jarwan was appointed as the new Workforce Engagement Director, explicitly tasked with monitoring the level of engagement and alignment across the organisation. A hybrid town hall style meeting was conducted in the last quarter of 2021.

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 has identified all critical roles in place and have adopted processes to ensure the smooth transition in case of changes in personnel.

Refer to the Governance Report on pages 40 to 43 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

Risk

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

The business is exposed to sudden changes in tax compliance requirements or changes in legislation which could lead to fines, financial loss or adversely impact liquidity.

Sudden changes in inflation in regions GMS operates may adversely affect its operations.

Mitigating factors and actions

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.

Tax advisors
The Group engage with reputable tax advisors who monitor the impacts of changes to tax legislation across the regions GMS operates in.

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 that 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. Continued 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 has 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 the majority of countries where GMS operates and have been made available to staff, both onshore and offshore. High vaccination rates across the Company have significantly reduced the health risk to employees from catching COVID-19. **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 the risk management process is in place is appropriate, where it has been unable to have equipment tested, inspected or certified offshore, due to the availability of suitably qualified personnel offshore. **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. **Recovery of COVID-19-related costs** GMS are in dialogue and have strong relationships with its clients to pursue opportunities to reclaim quarantine and other COVID-19-related expenses.

Risk	Mitigating factors and actions
10 Cyber-crime – security and integrity	
Phishing attempts result in inappropriate transactions, data leakage and financial loss. The Group is at risk of loss and reputational damage through financial cyber-crime.	**Cybersecurity monitoring and defence** GMS operates multi-layer cyber-security defences which are monitored for effectiveness to ensure they remain up to date. GMS engages with third party specialists to provide security services.
11 Climate change	
Climate change poses both transition and physical risks to the Group. The transition risks come from the decarbonisation of the global economy. This could result in changing investor sentiment making new investors harder to find. It may bring changing client preferences leading to reduced demand for our services. New legislation could require us to increase reporting and possibly substitute our products and vessels for greener alternatives. Physical risks include rising temperatures, which could further impact working hours, and rising sea levels, which could affect where our vessels can operate. The physical risks also interact with Principal Risk 4 – Our ability to deliver safe and reliable operations.	**Legal & policy monitoring** The Group carefully monitors legislative developments to ensure compliance with all relevant laws both in the UK and the Middle East. The TCFD disclosure in this report explains our assessment and response to climate-related risks to be transparent with our stakeholders. **Physical infrastructure** The Group monitors weather patterns to ensure conditions are suitable for our offshore employees and vessels. Onshore buildings are designed to withstand the heat in the Middle East. **Environmental impact** GMS aims to minimise its environmental impact by installing energy and water efficiency measures. We also ensure our machinery and engines are regularly maintained so they operate efficiently. Furthermore, we research lower carbon alternatives, including R407 refrigerants and lube oil filtration systems, to reduce our carbon footprint. In 2022, we will begin calculating our Scope 3 emissions and setting targets for the long-term reduction of our carbon emissions. **Long-term planning** GMS has a proven track record in the renewables sector which provides versatility in our business model. Our vessels are built to be as flexible as possible to maximise utilisation. We are aware that we may need to consider changing sea levels and environmental legislation when replacing vessels that are being retired in the long term.

Emerging risks

GMS operates an emerging risk framework as a tool for horizon scanning, with developments reported to the Audit and Risk Committee on a routine basis. Emerging risks are defined as: a systemic issue or business practice that has either not previously been identified; has been identified but dormant for an extended period of time (five years); or has yet to arise to an area of 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 2021 include considerations of expanding into new territories, changes to tax landscape in regions GMS operates in and unexpected changes in oil price which could impact client operations.

Ukraine war

On 24 February 2022, Russia launched ground and air attacks on Ukraine which led to the closure of airports and land borders. The developing situation has the potential to impact GMS operations and presents a risk to the health, safety and welfare of certain GMS employees living in Ukraine. GMS has implemented procedures to provide required support should employees be affected, as well as to ensure continuity across the business. In response to military action launched by Russia, western countries and other global allies imposed an unprecedented package of coordinated sanctions against Russia. The Group has minimal activity with suppliers in Russia and continues to manage its supply chain and has robust procedures in place to avoid any disruption to operations. Overall, the Group does not expect the war in Ukraine, and resulting sanctions, to have a significant impact on operations.

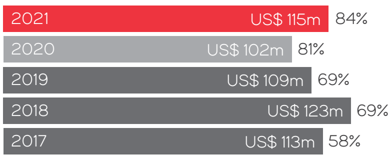
Key Performance Indicators (KPIs), are used to monitor our performance against our strategic priorities. The KPIs comprise financial and operational measures and each links to the four pillars of our strategy. Refer to the Glossary for the definition of each Alternative Performance Measure (APM).

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	2021 performance

Revenue and utilisation



% – SESV utilisation Bars – Revenue

Description

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

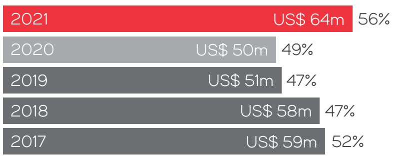
Utilisation is the percentage of days that vessels within the fleet of SESVs are chartered on a day rate out of total calendar days.

2021 performance

Revenue increased by 12.3% to US$ 115 million mainly attributable to an increase in E- & S-Class utilisation.

Utilisation in the year improved to 84% (2020: 81%), S-Class utilisation improved from 92% in 2020 to 98% in 2021 with vessels benefiting from long-term contracts. E-Class utilisation levels saw an increase to 72% (2020: 65%). K-Class utilisation remained flat at 86% (2020: 86%).

Adjusted EBITDA and Adjusted EBITDA margin



% – Adjusted EBITDA Margin Bars – Adjusted EBITDA

Description

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.

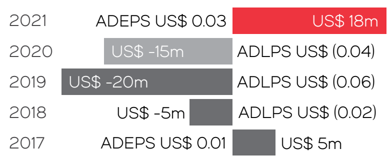
Adjusted EBITDA margin demonstrates the Group's ability to convert revenue into profit.

2021 performance

Adjusted EBITDA significantly increased by 27% to US$ 64 million (2020: US$ 50 million) driven by increased utilisation across the E- and S-Class fleet.

Adjusted EBITDA margin increased to 56% (2020: 49%) despite COVID-19 costs, as a result of increased utilisation and the annualised impact of 2019 and 2020 cost reductions taking effect.

Adjusted loss/profit and Adjusted DLPS/DEPS



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

Description

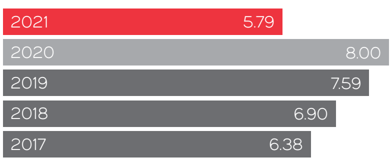
Adjusted net profit or loss measures the net profitability of the business adjusted for items, such as restructuring costs, and non-cash transactions, such as impairment.

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.

2021 performance

The Group reported an adjusted profit of US$ 18 million (2020: adjusted loss of US$ 15 million). The significant increase was mainly driven by increased utilisation and reduced finance costs following the renegotiation of the Group's debt facilities in March 2021.

Net bank debt to Adjusted EBITDA



Description

Net bank debt to Adjusted EBITDA is the ratio of net bank 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.

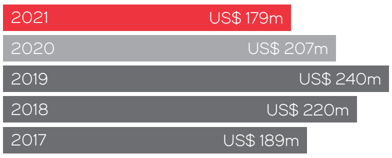
Maintaining this covenant below levels set out in the Group's bank facilities is necessary to avoid an Event of Default.

2021 performance

The net bank debt to Adjusted EBITDA ratio significantly decreased to 5.8 times compared to 8.0 times in the prior year primarily as a result of improved adjusted EBITDA, reduced finance costs and an equity raise of US$ 27.8 million which took place during the year.

KPI	Description	2021 performance

Backlog



The backlog figures shown above are as at the date of each Annual Report rather than 31 December.

Description: 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.

2021 performance: Backlog decreased in the year reflecting the unwinding of long-term contracts offset by new contracts awarded in the year. The Group are well-positioned to benefit from improved pricing in a recovering market through increased pipeline opportunities.

Average FTE retention (Onshore and Offshore)

% – Employee Retention
Bars – Average FTEs

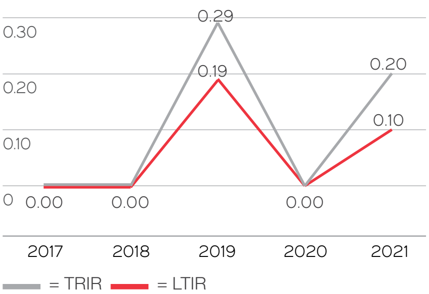
Description: Employee retention shows the percentage of staff who continued to be employees in the year. The percentages shown do not take into account retirements or redundancies.

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.

2021 performance: The Group staff retention reduced to 86% (2020: 92%).

Average onshore FTEs over the year have reduced from 64 in 2020 to 52 in 2021 following redundancies made during the restructuring throughout 2020, while for offshore FTEs, the average number throughout the year increased from 432 in 2020 to 482. Total Group headcount increased from 533 at 31 December 2020 to 545 at 31 December 2021.

TRIR and LTIR



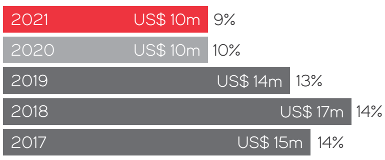
Description: TRIR is the total recordable injury rate per 200,000 man hours, which provides a measure of the frequency of recordable injuries.

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.

2021 performance: There were two recordable injuries in 2021. One Lost Time Injury and one Restricted Work Day Case. This led to an increase in our Total Recordable Injury Rate (TRIR) from 0.0 in 2020) to 0.2 in 2021 and an increase in our Lost Time Injury Rate (LTIR) from 0.0 in 2020 to 0.1 in 2021.

Underlying G&A as percentage of revenue

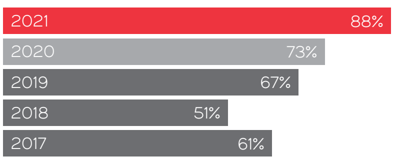


Underlying General and Administrative (G&A) expenses excluding depreciation and amortisation, restructuring and exceptional legal costs.
% – G&A to revenue
Bars – Underlying G&A

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

2021 performance: The G&A expense ratio dropped from 10% in 2020 to 8% in 2021 mainly driven by an increase in revenue. Underlying G&A remained flat at US$ 10 million (2020: US$ 10 million).

Secured utilisation at 1 January after each reporting date



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

2021 performance: Secured utilisation has increased by 15 percentage points compared to 2020, primarily reflecting improving market conditions and greater demand for our vessels.

	2021 US$m	2020 US$m	2019 US$m
Revenue	**115.1**	102.5	108.7
Gross profit/(loss)	**60.6**	(55.5)	(25.0)
Adjusted EBITDA[1]	**64.1**	50.4	51.4
Impairment reversal/(impairment)	**15.0**	(87.2)	(59.1)
Net profit/(loss) for the year	**31.2**	(124.3)	(85.5)
Adjusted net profit/(loss)[2]	**18.0**	(15.3)	(20.0)

Introduction

Revenue increased by 12.3% to US$ 115.1 million (2020: US$ 102.5 million). Vessel utilisation increased to 84% (2020: 81%) mainly driven by an easing of operational restrictions, and a more positive outlook leading to increased demand and the re-activation of delayed EPC project contract awards in GMS' core markets. S-Class utilisation improved from 92% in 2020 to 98% in 2021, with vessels benefiting from long-term contracts. Our E-Class utilisation levels also increased to 72% (2020: 65%) whilst K-Class utilisation remained flat at 86% (2020: 86%). Average day rates increased to US$ 25.7k (2020: US$ 25.3k).

Adjusted EBITDA[1] increased to US$ 64.1 million (2020: US$ 50.4 million) with an increase in adjusted EBITDA margin to 56% (2020: 49%) mainly driven by the increase in utilisation particularly in the Group's higher earning E- and S-Class vessels described above.

Vessel operating expenses[3] decreased by 2.6% to US$ 41.2 million (2020: US$ 42.3 million), despite the increase in utilisation and additional COVID-19 costs, as managing the Group's cost base continues to be an area of focus.

During 2021, the Group encountered further COVID-related logistical issues in relation to crew movement and delays in mobilisations due to border closures and challenging quarantine requirements. These requirements and the mobilisation delays mentioned at H1 2021 have shown significant signs of easing in the second half of 2021.

General and administrative expenses[3] decreased by US$ 5.9 million (32%), to US$ 12.3 million mainly as a result of exceptional restructuring costs and legal costs of US$ 2.5 million and US$ 3.1 million incurred in the prior year which did not repeat in the current year. Underlying G&A[4] remained broadly flat at US$ 9.8 million (2020: US$ 9.7 million).

The Group reported a net profit for the year of US$ 31.2 million (2020: net loss of US$ 124.3 million). The significant increase in profit was mainly driven by the increase in adjusted EBITDA[1] described above, a reduction in finance costs to US$ 14.5 million (2020: US$ 46.7 million) and a reversal of impairment recognised at US$ 15.0 million compared to an impairment charge booked in the previous year of US$ 87.2 million. Adjusted net profit which excludes impairment charges, exceptional finance costs and exceptional legal and restructuring costs in 2020 was US$ 18.0 million (2020: adjusted net loss of US$ 15.3 million).

Included in the Company only financial statements is an impairment against the carrying value of investments of US$ 17.0 million (2020: US$ 327.7 million). Please refer to Note 5 of the Company financial statements on page 145 for further details.

Finance expenses reduced mainly from a reduction in bank interest to US$ 17.5 million (2020: US$ 27.6 million) following the refinancing, which took place in March 2021, with both margin and average LIBOR decreasing to 3.0% and 0.2% (2020: 5.0% and 1.0%) and a reduction of costs to acquire the new debt facility in March 2021 of US$ 3.2 million, compared to US$ 15.8 million being expensed in 2020.

Net bank debt[3] reduced to US$ 371.3 million (2020: US$ 406.2 million). The net leverage ratio has significantly reduced to 5.8 times compared to 8.0 times in 2020 mainly as a result of the improved adjusted EBITDA and raising US$ 27.8 million of new equity in June 2021. The equity raise completed in June 2021 removed a potential event of default under the Groups' debt facilities as at 31 December 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.

Utilisation in 2021 increased to 84% (2020: 81%). This is the highest level of utilisation achieved since 2015 and was facilitated by an easing of COVID-related operational restrictions and a more positive outlook leading to increased demand and the re-activation of delayed EPC project contract awards in GMS's core markets. S-Class utilisation improved from 92% in 2020 to 98% in 2021 mainly from long-term contracts which continued throughout the year. Our E-Class utilisation levels also saw an increase to 72% (2020: 65%) and K-Class utilisation remained flat at 86% (2020: 86%).

Average day rates marginally increased to US$ 25.7k (2020: US$ 25.3k). Vessel day rates for E-Class vessels increased by 7%, offset by marginal decreases to S-Class and K-Class rates of 2% and 3% respectively. New contracts awarded in the latter half of the year, which are due to commence in 2022, saw significant day rate improvements on legacy contracts.

The MENA region continues to be the largest geographical market representing 89% (2020: 88%) of total Group revenue. The remaining 11% (2020: 12%) of revenue was earned from Offshore Windfarms in the renewables market in Europe. National Oil Companies (NOCs) continue to be the Group's principal client representing 70% of 2021 total revenue (2020: 68%).

The UAE remains the largest revenue contributor in the MENA region, generating 50% of total revenue (2020: 52%). The remainder is split between Saudi Arabia and Qatar at 19% and 20% respectively (2020: 17% and 19%).

1 Represents operating profit/(loss) after adding back depreciation, amortisation and the reversal of impairment in 2021 and depreciation, amortisation, an impairment charge and adjusting items in 2020. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 30.

2 Represents net profit/(loss) after adding back depreciation, amortisation the reversal of impairment and adjusting items in 2021 and depreciation, amortisation, an impairment charge and adjusting items in 2020. This measure provides additional information in assessing the Group's total performance that management can more directly influence and is comparable from year to year. A reconciliation of this measure is provided in Note 30.

3 A reconciliation of this measure is provided in Note 9 and is also defined in APMs section in page 154.

4 Refer to Glossary for definition of Underlying G&A.

Vessel Class	Revenue US$'000 2021	Revenue US$'000 2020	Gross profit/(loss) US$'000 2021	Gross profit/(loss) US$'000 2020	Adjusted gross profit/(loss) US$'000* 2021	Adjusted gross profit/(loss) US$'000* 2020
E-Class vessels	**38,680**	29,407	**21,277**	(26,047)	**11,170**	(22)
S-Class vessels	**33,420**	32,136	**15,897**	15,797	**15,897**	15,797
K-Class vessels	**43,027**	40,947	**23,568**	(45,076)	**18,716**	16,055
Other vessels	**–**	2	**(116)**	(202)	**(116)**	(202)
Total	**115,127**	**102,492**	**60,626**	**(55,528)**	**45,667**	**31,628**

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

Cost of sales, reversal of impairment and administrative expenses

Cost of sales excluding impairment slightly decreased to US$ 69.5 million (2020: US$ 70.9 million) with operating expenses and depreciation decreasing by US$ 1.1 million and US$ 0.4 million respectively. Despite achieving a 12.3% increase in revenue, cost of sales excluding depreciation and amortisation fell by 2.6% to US$ 41.2 million (2020: US$ 42.3 million). Total depreciation and amortisation included in cost of sales amounted to US$ 28.2 million in 2021 (2020: US$ 28.6 million).

Following an improvement to general market conditions, stabilisation of the Group's capital structure and an increase in market capitalisation, management performed a formal impairment assessment of the Group's fleet, comparing the net book value to the recoverable amount as at 31 December 2021. Based on the assessment, the total recoverable amount of the fleet was computed at US$ 631.9 million (2020: US$ 664.0 million) resulting in an impairment reversal of US$ 15.0 million compared to an impairment charge of US$ 87.2 million in 2020. Refer to Note 5 in the consolidated financial statements for further details.

Overall general and administrative costs reduced from US$ 18.2 million in 2020 to US$ 12.3 million in 2021. There were no restructuring costs incurred in the financial year (2020: US$ 2.5 million). In 2020, one-off legal costs of US$ 3.1 million were incurred in relation to the Seafox proposed bid offer and governance and management changes which did not repeat in the current year. Underlying G&A remained broadly flat at US$ 9.8 million (2020: US$ 9.7 million).

Adjusted EBITDA

Adjusted EBITDA, which excludes the impact of reversal of impairment in 2021 and an impairment charge and one-off non-operational costs in 2020, increased to US$ 64.1 million (2020: US$ 50.4 million), mainly driven by the increase in utilisation particularly in the Group's higher earning E- and S-Class vessels described above. Adjusted EBITDA is considered an appropriate, comparable measure showing underlying performance, that management are able to influence. Please refer to Note 30 and Glossary for further details.

Finance costs

Finance costs reduced materially from US$ 46.7 million in 2020 to US$ 14.5 million in 2021, mainly as a result of a reduction in bank interest to US$ 17.5 million (2020: US$ 27.6 million). Costs to acquire the bank facility in 2021 were significantly lower than costs to acquire the previous refinance in 2020 at US$ 3.2 million (2020: US$ 15.8 million). A gain of US$ 6.3 million (2020: US$ 1.1 million) was recognised in the profit and loss in the current year, reflecting the waiver of PIK interest otherwise payable during the first quarter of 2021, the remeasurement of the debt to fair value as at the date of the substantial modification and the impact of a change in the forecast voluntary repayment of the debt. Refer to Note 21 for further details.

Earnings

The Group achieved a net profit of US$ 31.2 million (2020: net loss of US$ 124.3 million), mainly driven by an increase in utilisation, decrease in finance expenses and the reversal of impairment booked in at US$ 15.0 million (2020: impairment charge of US$ 87.2 million) all described above.

After reflecting for adjusting items (impairment and finance expenses) the Group incurred an adjusted profit of US$ 18.0 million (2020: adjusted loss of US$ 15.3 million).

Capital expenditure

The Group's capital expenditure during the year reduced to US$ 12.2 million (2020: US$ 14.2 million). Expenditure mainly relating to upgrades made to vessels to meet client requirements. The Company continues to maintain capital expenditure at a level that ensures safe operations, in line with legal and regulatory obligations, and that meets client requirements, as it focuses on maximising its cash generation to continue reducing bank debt.

Cash flow and liquidity

During the year, the Group delivered operating cash flows of US$ 40.5 million (2020: US$ 44.3 million). This reduction is primarily as a result of the movement in trade and other receivables described below offset by increased profit. The net cash outflow from investing activities for 2021 decreased to US$ 11.5 million (2020: US$ 12.4 million) as the Group continues to limit capital expenditure to maintaining the fleet to a level that ensures safe operations and meets client requirements.

The Group's net cash flow from financing activities was an outflow of US$ 24.5 million during the year (2020: US$ 36.5 million) mainly comprising net repayments to the bank of US$ 31.0 million (US$ 12.1 million) and interest paid of US$ 13.0 million (US$ 27.9 million), offset by proceeds from shares following the equity raise of US$ 27.8 million.

Balance sheet

Total non-current assets at 31 December 2021 were US$ 617.2 million (2020: US$ 618.8 million), following a US$ 15.0 million reversal of impairment on some of the Group's vessels (2020: impairment charge of US$ 87.2 million).

Total current assets at 31 December 2021 were US$ 57.2 million (2020: US$ 35.6 million). Cash and cash equivalents increased to US$ 8.3 million (2020: US$ 3.8 million). Trade and other receivables increased to US$ 48.9 million (2020: US$ 31.8 million) of which US$ 41.9 million (2020: US$ 24.1 million) related to net trade receivables and US$ 7.0 million (2020: US$ 7.8 million) to other receivables. The increase in trade receivables was mainly driven by increased utilisation and client delays in processing receipts. Trade receivables are primarily with NOC, IOC and international EPC companies, with over 89% being aged between 0-60 days. Out of the year-end balance, over US$ 30 million has subsequently been collected.

Total current liabilities reduced to US$ 53.0 million at 31 December 2021 (2020: US$ 61.0 million), Trade payables decreased to US$ 8.8 million (2020: US$ 12.3 million) and other payables decreased to US$ 10.7 million (2020: US$ 11.1 million). There was a decrease in bank borrowings due within one year to US$ 26.1 million (2020: US$ 31.0 million) as a result of the Group's working capital facility (US$ 21.5 million) now being recognised as a non-current liability as it is available for utilisation until the end of the term debt facility offset by an increase in loan repayments for the next 12 months compared to the previous year.

Net bank debt and borrowings

On 31 March 2021, the Group amended the terms of its loan facility with its banking syndicate. The amended terms were significantly different from the original loan. Management determined that the Group's loan facility was substantially modified and, accordingly, the old loan facility was extinguished and the new facility recognised. Refer to Note 21 for further details.

Net bank debt as at 31 December 2021 reduced to US$ 371.3 million (2020: US$ 406.2 million) with US$ 20.0 million of the US$ 31.0 million total loan repayments being made following the equity raise in June 2021. The net leverage ratio has significantly reduced and was 5.8 times as at 31 December 2021 compared to 8.0 times in 2020, as a result of improved adjusted EBITDA and the equity raise in June 2021.

Going Concern

The successful issuance of equity by 30 June 2021 removed a potential event of default on the Group's bank facilities which in turn removed the material uncertainty as to the Group's ability to continue as a Going Concern that was reported in the full year 2020 results.

The Group's forecasts indicate that its revised debt facility will provide sufficient liquidity for its requirements for at least the next 12 months and accordingly, the consolidated financial statements for the Group have been prepared on the Going Concern basis. For further details please refer the Going Concern disclosure in Note 3 of the financial statements. This is the first time the Group have been operating as Going Concern without any material uncertainties since 2017.

Related party transactions

During the year, there were related party transactions with our partner in Saudi Arabia for leases of breathing equipment for some of our vessels and office space totalling US$ 0.5 million (2020: US$ 0.5 million). In addition, there were related party transaction related to catering services for Vessel Pepper totalling to US$ 0.3 million (2020: US$ nil).

The Group has never had transactions with its largest shareholder, Seafox International (29.9%) and has agreed with its banks, in its latest agreement signed in March 2021, restrictions on any future transactions with them or their affiliates. During the year, the Group received catering services totalling US$ 0.3 million (2020: nil) on board one of its vessels provided by the National Catering Company, an affiliate of Mazrui International LLC, the Group's second largest shareholder (25.6%). Further details can be found in the Directors Report on page 76 and Note 23 of the consolidated financial statements.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. A reconciliation between the adjusted non-GAAP and statutory results is provided in Note 30 of the consolidated financial statements with further information provided in the Glossary.

Alex Aclimandos
Chief Financial Officer
12 May 2022

LONG-TERM VIABILITY STATEMENT

How we assess our prospects

Throughout the year, and to date in 2022, the Board carried out a robust assessment of the principal risks affecting the Group, 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 28 to 33 of this Annual Report.

In reaching our Viability Statement conclusion, we have undertaken the following process:

- The Board reviewed the Risk Management processes at their meetings, 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.
- Climate workshops were held during the year. An additional risk relating to climate change had been transferred from an emerging risk to a principal risk, considering its significance in the current market environment. The Group assessed the impact climate change could have on the operations of the Group. Based on the outcome of the workshops held, as well as advice received from advisors, management do not expect climate change to have a significant impact on the Group's performance and cashflows throughout the assessment period, hence no change has been made to forecasts, refer to page 11 for further details.

The Group's prospects are assessed against the business model and strategy described on pages 18 to 21 by using Key Performance Indicators (KPIs), to monitor the Groups performance, refer to pages 34 to 35 for details of KPI's.

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 Annual Corporate Budget (2022) and the Five-year Business Plan.

The assessment took into consideration the potential impact that the Group's principal risks and uncertainties detailed on pages 28 to 33 could have on the business model, liquidity and future performance within the review period.

The Directors have determined a period of three years (2020: three years), from the date of the Report, remains appropriate for the purposes of conducting this review. This period was selected with reference to the current term of the Group's current banking facilities (see below), covenant testing dates, current backlog and business development pipeline, both of which offer limited visibility beyond this point, particularly in light of current macroeconomic 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.

The Group will be required to refinance its term facility when the bullet payment (currently estimated to be c.US$ 183 million) falls due in June 2025, which is just outside the assessment period. Based on the latest forecast, the Group will be unable to meet its obligation to repay the bullet payment as at 30 June 2025. However, the Group has strong relationships with its banking syndicate and a track record of successful renegotiations to its debt terms, including the refinance in March 2021, and given that both the net leverage ratio and the loan to value ratio are expected to be lower in June 2025 in line with the current performance forecast management are confident that the Group will be well placed to source new finance ahead of the bullet payment falling due.

Consideration of principal risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 28 to 33. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on pages 28 to 33. The Board has further considered their potential impact within the context of the Group's viability.

Sensitivity analysis

To assess the Group's viability, management have performed scenario analysis considering the following severe but plausible scenarios:

- no work-to-win in 2022;
- a 32 percent reduction in options utilisation in 2023;
- a 23 percent and 25 percent reduction in work to win utilisation in 2023 and 2024 respectively; and
- a reduction in day-rates for an E-Class vessel assumed to have the largest day rate, by 10 percent commencing from November 2022, i.e. after expiry of the current secured period.

Based on the above scenario, the Group would not be in breach of its term loan facility, however, the net leverage ratio is forecast to exceed 4.0 times as at 31 December 2022 for a period of 18 months and therefore PIK interest of US$ 14.3 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The downside case model is considered to be severe but plausible and would still leave the Group with US$ 14 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the period until the end of May 2025.

Reverse stress testing

The Group's forecast has been stress tested against a worst case scenario, where adjusted EBITDA has been sufficiently reduced to breach the net leverage ratio as a result of a combination of reduced utilisation and day rates, as noted below:

- no work-to-win in 2022;
- a 40 percent and 44 percent reduction in options utilisation in 2022 and 2023 respectively;
- a 39 percent and 25 percent reduction in work to win utilisation in 2023 and 2024 respectively; and
- a reduction in day-rates for an E-Class vessel assumed to have the largest day rate, by 10 percent commencing from November 2022, i.e. after expiry of the current secured period.

Based on the above scenario, net leverage ratio is forecast to exceed 4.0 times at 31 December 2022 for a period of 18 months and therefore PIK interest of US$ 14.3 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The net leverage ratio is also breached at HY 2023, FY 2023 and HY 2024. The Board consider mitigating actions as noted in the going concern section in Note 3 of the consolidated financial statements on page 99. Whilst such actions in themselves would not be sufficient to avoid the breach of the net leverage ratio, the Board consider such a scenario and a sequence of events that could lead to it to be remote.

The impact of COVID-19 has also been considered in short term forecasts approved by the Board which include additional hotel and testing costs for offshore crew whilst in quarantine. Directors do not believe there will be any further impact which needs to be reflected in the scenarios above as quarantine requirements and border restrictions in relation to COVID-19 have shown signs of easing in the latter part of 2021 and COVID-19 is not expected to be a long-term risk. The Group has implemented a set of measures to prevent any major impact of COVID-19 and continues to monitor the situation for our people and our clients/suppliers.

While the current situation regarding the war in Ukraine and Russian sanctions described on page 33 remains uncertain, Directors believe the potential impact of the war, border closures and resulting sanctions will not have a significant impact on operations.

Brexit is not expected to have a significant effect on the Group's operations as 12 of 13 vessels are in the MENA region.

Conclusion

Notwithstanding the principal risks and uncertainties described on pages 28 to 33 which all have the potential to affect future performance, after making enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions and based on the detailed assessment referred to above, the Board have a reasonable expectation that the Group can continue in operation and meet its commitments as they fall due over the viability period ending May 2025. Accordingly, the Board therefore support this viability statement.

Mansour Al Alami
Executive Chairman
12 May 2022

As I mentioned in my Chairman's Review on page 2, the past year has been another significant one in terms of development of the business, the Company and its governance. Having assembled a Board in the prior year, that is both committed and able to promote the interests of all stakeholders in the Group, we have built on this base over the past year with the appointment of two additional independent non-executive Directors. I am pleased that this has established strong Board committees as well as the strong Board of Directors committed to the best interests of the Company. This enlarged Board continues to work diligently in moving the Company forward in the interest of all its shareholders and other stakeholders.

The significant governance developments in the past year include:

1. Two additional independent non-executive Directors were appointed to the Board – Jyrki Koskelo in February 2021 and Anthony St John in May 2021. Charbel El Khoury was also appointed to the Board as a non-independent non-executive Director in August 2021. They each bring a wealth of experience, adding further value to the Board.
2. The appointments have created a diverse Board with Directors from several different countries across three continents, with vast combined experience. The Board is very conscious that the remaining area of diversity not yet addressed at a Board level is gender – and this is something under active consideration for the coming year.
3. At the 2021 AGM, all resolutions proposed were passed by over 90% of the shares voted at the meeting. Shareholders representing almost 100% of the shares voted at the meeting voted in favour of our equity fundraising in June 2021. We greatly appreciate the support of shareholders after what had previously been a period of significant change for the Company.
4. Jyrki Koskelo was appointed Chairman of the Audit Committee, drawing on his recent and relevant financial experience on audit committees of other companies. The other members of the Committee, Rashed Al Jarwan and Anthony St John, provide additional depth of experience in both the UK and MENA markets. The work of the Audit Committee is summarised in its report commencing on page 49.
5. Under Jyrki's leadership, the Audit Committee commenced the tender process of the Group's audit for 2022 financial year and beyond. This is reported on more fully in the Audit Committee Report on page 51. We look forward to working with our new Auditors and would like to thank Deloitte for their work as Auditors of the Group over many years.
6. Anthony St John was appointed Chairman of the Remuneration Committee alongside its other members, Rashed Al Jarwan and Jyrki Koskelo. This membership provides extensive experience of remuneration practice on the London market and in the MENA region, as well as internationally. The work of the Remuneration Committee is summarised in its report commencing on page 56.
7. Under Anthony's leadership, the Remuneration Committee undertook an extensive consultation process with shareholders on the implementation of the Company's LTIP following approval at the 2021 AGM. This consultation is reported on in the Committee's report on page 56.
8. Rashed Al Jarwan, our Senior Independent Director, who is based in the UAE, was appointed as the non-executive Director overseeing workforce engagement, as recommended by the UK Corporate Governance Code (the Code).
9. As part of his role, Rashed held an event for all staff as further set out on page 53, reviewed the results of the employee survey described on page 15 and is available to employees to speak with on his regular visits to our offices.
10. Towards the end of the year, our European-based Directors were able to travel to the UAE and the Board met together in person. As part of the meetings, which took place over two days, a strategy meeting was held, including face-to-face presentations from Senior Management.

As is indicated above, the Board and its Committees have been very active in the past year, diligently working on behalf of shareholders and other stakeholders in the Company. Both financial resources and our people have been key priorities. This work helps sustain operational excellence to continue to enhance performance and utilisation of the Group's assets, and to continue to explore and secure new opportunities within the Group's areas of operation. The Board's focus remains 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 48, 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.

We look forward to reporting on further progress next year.

Mansour Al Alami
Executive Chairman
12 May 2022

Governance calendar for 2021

The overall calendar of meetings of the Board and its committees for 2021 is shown below.

Governance calendar for 2021

	Further information	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board	Page 44		●	●		●●	●			●		●	●
Audit and Risk Committee	Page 49					●				●		●	
Nomination Committee	Page 53					●							
Remuneration Committee	Page 56					●				●		●	
General Meeting	Page 22						●						
Annual General Meeting	Page 40						●						

Meeting attendance by Directors in 2021

Director	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Mansour Al Alami	● ● ● ● ● ● ● ●	◐ ◐ ◐	○ ◐ ◐	●
Hassan Heikal	● ● ⊗[1] ● ● ● ● ●		◐ ◐ ○	◐
Rashed Al Jarwan	● ● ● ● ● ● ● ●	● ● ●	● ● ●	●
Jyrki Koskelo[2]	● ● ● ● ● ● ● ●	● ● ●	● ● ●	●
Lord Anthony St John of Blestso[3]	○ ○ ○ ○ ● ● ● ●	○ ● ●	○ ◐ ◐	○
Charbel El Khoury[4]	○ ○ ○ ○ ○ ● ● ●	○ ○ ◐	○ ● ●	○

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

Saeed Khoory was an independent non-executive Director until he died on 2 February 2021. There were no meetings held in the year prior to the date of his passing. Saeed Khoory was a deeply respected member of the Board and is greatly missed.

1 Hassan Heikal was absent from the meeting of the Board due to an unavoidable scheduling conflict although he reviewed the Board pack of the meeting, provided comments in advance and confirmed his approval of all decisions proposed to be taken at the Board meeting.
2 Jyrki Koskelo was appointed to the Board as an independent non-executive Director with effect from 5 February 2021.
3 Lord Anthony St John of Bletso was appointed to the Board as an independent non-executive Director with effect from 26 May 2021.
4 Charbel El Khoury was appointed to the Board as a non-executive Director with effect from 23 August 2021.

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 & 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.

Significant external appointments

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, 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.

Significant external appointments

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

Rashed Al Jarwan

Senior Independent non-executive Director

Appointed to the Board

10 November 2020

Relevant skills and experience

Rashed Al Jarwan has served Dana Gas (from 2006 to present) as General Manager and 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.

Significant external appointments

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), Oman Insurance Co, MASHREQ Bank and Al Ghurair Investment Co.

A N R

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

Lord Anthony St John of Bletso

Independent non-executive Director

26 May 2021

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

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

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

A N R

Charbel El Khoury

Non-executive Director

23 August 2021

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

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

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

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

N

Jyrki Koskelo

Independent non-executive Director

5 February 2021

Jyrki Koskelo currently serves as a board member of Africa Agriculture and Trade Investment Fund (Luxembourg) and EXPO Bank (the Czech Republic, part of the Expobank Group), as well as a member of the Supervisory Board of Fibank (Bulgaria). He held various senior positions (between 1987 to 2011) within the Washington-based International Finance Corporation (part of the World Bank Group and the largest global development institution focused on the private sector in developing countries). Jyrki has also previously been a Senior Advisor to the Al Jaber Group, a Board member of the African Banking Corporation and a Board member of the African Development Corporation.

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

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

Jyrki is currently a 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 and a member of the Supervisory Board of Fibank, Bulgaria.

A N R

Dear Shareholders,

The Board's role is to promote the long-term success of the Company and to enable the generation of value for shareholders as well as other stakeholders on a sustainable basis over the long term. The Board made and continues to make concerted efforts to achieve results which will further enhance the value of GMS. Key achievements during 2021 included finalising terms on a significantly improved debt arrangement with the Group's banks as well as a successful capital raising exercise. There was also a further strengthening of the Board this year through non-executive Director appointments. The Board, along with management, has continued to develop the Group at both the business and corporate levels such that the interests of all its shareholders and stakeholders are appropriately addressed.

Board Calendar for principal meetings in 2021

***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

Review of reports from Board Committees as relevant

*****At specific meetings**

February

- Discussion and review of debt structure agreement with the banks
- Review of Enterprise Risk Management

March

- Review and approval of debt structure agreement with the banks

May

- Review and approval of full-year results
- Review and approval of notice of AGM
- Discussion, review and recommendation of re-election of all Directors
- Discussion, review and recommendation for submission of the proposed Deferred Bonus Plan and amended Long-Term Incentive Plan to shareholders for approval at the AGM
- Review and discussions on capital raise arrangements

June

- Review and decision to approve capital raise arrangements

September

- Review and approval of half-year results
- Review and approval of Board and Committee calendar

November

- Strategy development – at a separate strategy meeting
- Review of workforce engagement arrangements
- Plans for Board and committee evaluation

December

- Discussion of budget and longer-term plans for the Group
- Report on workforce engagement
- ESG review including climate change, health and safety and governance

* 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 2021.
*** These were specific items reviewed and discussed at individual meetings.

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

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

Audit and Risk Committee	Remuneration Committee	Nomination Committee
Monitors the integrity of the Group's financial statements, financial and regulatory compliance, and the systems of internal control and risk management. Reviews the effectiveness of the internal and external audit processes.	Determines the reward strategy for the Executive Chairman and Senior Management to attract and retain appropriate individuals and to align their interests with those of shareholders.	Considers and recommends appointments to the Board taking into account the appropriate skills, knowledge and experience to operate effectively and to determine the Group's strategy.
See pages 49 to 52 for the Report of the Audit and Risk Committee.	See pages 56 to 57 for the Report of the Remuneration Committee.	See pages 53 to 55 for the Report of the Nomination Committee.

Executive Management

Board membership

The Board has reviewed the composition, qualifications, experience and balance of skills of the current Directors to ensure there is the right mix on the Board and its Committees, and that these are working effectively. The current members of the Board have a wide range of appropriate skills and experience. They are from diverse backgrounds and based in more than one country, both in Europe and in the MENA region. Their biographies can be found on pages 42 to 43. The Board intends to seek the appointment of an additional independent non-executive Director to further increase diversity on the Board.

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. Following a review by the Board, the Board concluded that each of non-executive Directors demonstrate the requisite qualities.

Rashed Al Jarwan, Jyrki Koskelo and Anthony St John are considered by the Board to be fully independent. Charbel El Khoury is considered to be a non-independent non-executive Director given his nomination by one of the Company's major shareholders even though he underwent a similar interview process as other non-executive Directors appointed during the year. Hassan Heikal is also considered a non-independent non-executive Director due to him having a dual role with one of our other major shareholders, which also operates in the same industry and with whom he serves as Chairman. Nevertheless, the Board has suitable protocols in place to manage the flow of information in circumstances where conflicts might arise, which are described in more detail below in the Conflicts of Interest section of this report on page 46. Rashed Al Jarwan as our Senior Independent Director, along with Jyrki Koskelo and Anthony St John, as our other independent non-executive Directors, provide strong input to the Board to ensure it is well balanced, in addition to my own role as Chairman. As a group of Directors, we bring strong relationships with key clients and banks, extensive experience in other companies in the MENA region, Europe and beyond and considerable sector, technical, financial and operational experience. In addition, the Board is wholly committed to promoting the long-term sustainable success of the 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 operational 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 non-executive Directors and independence and Conflict of Interest sections of this report. The non-executive Directors all continue to provide significant value in their roles. The combination of the roles of Chairman and Chief Executive will continue to be kept under review and once a stage is reached when the Board considers it would be appropriate to split the roles, this will be addressed by the Board.

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

How the Board operates

The roles of the Board and its Committees

The Board determines the strategic direction and governance structure that will help achieve the long-term success of the Company and maximise shareholder value. The Board takes the lead in areas such as strategy, financial policy, annual budgeting, risk management and the overall system of internal controls. A summary of some of the Board's key responsibilities are set out in written 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 page 45 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 though any dissenting views would be 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. Not all Directors were able to attend all meetings in person in 2021 due to travel restrictions resulting from the COVID-19 pandemic. Where this was the case, Directors joined by video. The Board visited the headquarters towards the end of the year where they held a strategy meeting and met with Senior Management. During 2022, the Board is aiming to increase the number of meetings which Directors are able to attend in Abu Dhabi, one already having taken place.
- The development of Group strategy is led by the Chairman, with input, challenge, examination and ongoing testing and review by the non-executive Directors.
- Members of the Senior Management team are able to draw on the collective experience of the Board, including its non-executive Directors.
- Reporting packs, which are designed to be clear, accurate and analytical, are 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 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 2022 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 competitor. As such, in circumstances where information is required to be provided to all members of the Board, any information stated as restricted in line with the provisions of the information protocol is not provided to Hassan Heikal. Restricted information includes information that would be commercially sensitive and confidential.

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

Board evaluation and effectiveness

Critical to the success of our Board and its Committees in achieving their aims is the effectiveness with which they operate. The Board believes that these evaluations can provide a valuable opportunity to highlight recognised strengths and identify any areas for development. The Board conducted a review of its performance during 2021.

A summary of the internal evaluation undertaken by the Board is included in the Nomination Committee Report on page 54. The Company is not currently required to conduct an externally facilitated Board evaluation in terms of the Code although the Board would keep this matter under review as the Group develops.

Engagement with shareholders and other stakeholders

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

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

The Company's website provides stakeholders with comprehensive information on our business activities and financial developments, 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 Executive Chairman is responsible for the leadership and effectiveness of the Board, chairing Board meetings, ensuring that agendas are appropriate and is responsible for ensuring that all Directors actively contribute to the determination of the Group's strategy.
- The Executive Chairman is also responsible for the day-to-day management of the Group and implementing the Group's strategy, developing proposals for Board approval and ensuring that a regular dialogue with shareholders is maintained.
- The separation of authority between the Board and management is ensured by key decisions being referred to the Board and non-executive Directors taking an active role in decision-making between them, as well as at main Board meetings.
- The Senior Independent Director acts as a sounding board and confidante to the Executive Chairman and is available to shareholders.
- The non-executive Directors are primarily responsible for constructively challenging all recommendations presented to the Board, where appropriate, based on their broad experience and individual expertise.

Summary of individual responsibilities

***Executive Chairman – Board responsibilities**

- Providing strategic insight from wide-ranging business experience and contacts built up over many years.
- Ensuring that the Board plays a full and constructive role in the determination and development of the Group's strategy.
- Agreeing 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.

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

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 2021.

Code Provision		Period of non-compliance	Reasons for non-compliance
5.	A designated Director for engagement with the workforce.	Until 6 May 2021 when Rashed Al Jarwan was appointed as the non-executive Director overseeing workforce. engagement.	Transition period following complete Board change in November 2020 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.	Full-year and ongoing.	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 at the present time. Further details on how this is managed are shown under Division of Responsibilities in the table on the previous page. 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.	Appointments made on 5 February, 26 May and 23 August 2021.	Given the extensive contacts already available to the Board through its existing advisors, the scale of the Company and the need to minimise expense, the appointments of Jyrki Koskelo and Anthony St John by the Board followed a search process though not through open advertising or an external search consultancy. Charbel El Khoury was appointed to the Board after nomination by Mazrui Investments LLC, a major shareholder in the Company, and following an interview process that confirmed he would add significant value to the Board.
40 & 41.	There should be a description of the work of the remuneration committee in the annual report, including what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy.	Full-year and ongoing	The Committee did not formally consult with employees in respect of the design of the Director's Remuneration Policy approved by shareholders last year.

Annual General Meeting in 2022

Notice of the 2022 Annual General Meeting will be issued to shareholders and posted on the Company's website.

Mansour Al Alami
Executive Chairman
12 May 2022

AUDIT AND RISK COMMITTEE REPORT

Dear Shareholders,

I am pleased to present the report of the Audit and Risk Committee for 2021 which gives insight into our work during the year. This is my first report as Chair of the Audit and Risk Committee (the Committee), having taken over from Rashed Al Jarwan who still sits on the Committee. I am pleased to set out in this report an update on the main activities of the Committee in 2021 and up to the date of this report.

Membership

The Group continues to strengthen its governance on both a Board and Committee level. I joined the Board and this Committee as chair on 5 February 2021, replacing Rashed Al Jarwan, who still sits on the Committee as a Senior Independent Director. Lord Anthony St John of Bletso joined the Board and Committee on 26 May 2021 and brings with him extensive knowledge and significant financial experience. All 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 are included in their biographies, which can be found on pages 42 to 43.

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 November 2021 and March 2022.

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 three times during 2021 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 41 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 2021, 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 and the Group'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 2021 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 2021 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.

Current year items

Area of focus and issue	How addressed and conclusion
Reversal of impairment of property, plant and equipment IAS 36 requires that a review for impairment or reversal of impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset is materially different to its recoverable amount. Expected utilisation levels, day rates, current backlog and the Group's weighted average cost of capital may also impact the value in use of vessels. Reversal of impairment and impairment assessments are judgemental and careful consideration of the assumptions used in the determination of the value in use of the assets is required.	The Committee evaluated management's approach in determining the recoverable value of the Group's vessels. The 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 recognise a reversal of impairments on the K-Class and E-Class fleet with a combined value of US$ 15.0 million. The Committee also reviewed the effectiveness of the Group's internal controls around impairment 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 reviewed and challenged impairment calculations prepared by management and ensured there was a robust review of internal controls to ensure accuracy of assumptions and identification of areas of improvement. The Committee also reviewed the level of involvement needed from valuation specialists to support complex judgements and calculations associated with accounting estimates made by management.

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 a robust assessment of the principal and emerging risks facing the Group (see pages 28 to 33). 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.

The Committee has also been delegated the responsibility for reviewing the effectiveness of the Group'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 reviewed control deficiencies identified during the prior year end and are satisfied management have improved the majority of areas where control deficiencies were identified. The Group have used a number of experts to support judgements and calculations associated with complex accounting treatment.

The Audit and Risk Committee also reviewed further control deficiencies identified during the 2021 year end external audit and the areas of improvement needed to enhance controls in the following areas: controls over revenue recognition, impairment, financial reporting process, debt and equity raise accounting. They concluded that in 2021, despite implementing enhanced controls, there were still areas which could be improved further. As such, the Audit and Risk Committee will ensure there will be a review of internal controls to identify areas of improvement in 2022.

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

C) Internal audit

During 2021, GMS appointed Baker Tilly as internal auditors of the Group after an extensive tendering process that included two other highly reputable professional services firms. The Audit and Risk Committee were satisfied with the quality, experience and expertise of the internal audit practice within Baker Tilly and their knowledge of the industry and region in which the Group operates.

Baker Tilly were tasked with reviewing the documented Group finance procedures and testing the design of controls including those implemented during 2021. Based on the work performed, there were no significant weaknesses on the design of the controls tested which were identified. Baker Tilly plan to perform a detailed internal audit across specific departmental functions in 2022, test operating effectiveness of controls and report any gaps between the current state and industry best practice to the Audit and Risk Committee.

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 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

The Committee considers formally the appointment of the Group's external auditor each year, as well as assessing the independence of the incumbent auditor on an ongoing basis. During the financial year, the Company has complied with the mandatory audit processes and the Committee has complied with the provisions set out in the Competition and Markets Statutory Audit Services Order 2014. Deloitte LLP (Deloitte) have been appointed as external auditor since 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.

The Audit and Risk Committee determined it would be appropriate to tender for new auditors for the 31 December 2022 financial statements. As such, the Audit and Risk Committee carried out a robust tendering process with several leading audit practices and are currently finalising the appointment of the new auditors.

How was the audit tender process undertaken?

The Audit and Risk Committee oversaw the tender process, including agreeing the timetable, objectives and the key selection criteria.

The key selection criteria included the following:

Key selection criteria:
- audit approach;
- audit quality;
- expertise, competence, independence and ability to establish professional respected working relationships;
- technical knowledge, experience and understanding of the business, sector, industry and key geographies; and
- fees and terms.

The process conducted was as follows:
- Invitation to tender – An invitation to tender was developed, detailing the tender process. This was provided to seven audit firms in total.
- Preliminary meetings – Senior Management and members of the finance team met with firms, to give an outline of the firm the tender process and key attributes the Audit and Risk Committee expected from the lead audit partner and senior members of the audit team. In addition, the importance of audit quality was discussed at these meetings.
- Expression of interest – Having received the invitation to tender and having held preliminary meetings, each of the participant audit firms completed a confidentiality undertaking and a conflict of interest and independence declaration and was asked to express interest in the tender process.
- Details of audit – Participant firms were asked to submit a short document outlining key competencies and capabilities, in particular:
  - experience and credentials of proposed lead audit partners and identification of other key team members;
  - geographic coverage and international ways of working;
  - firm and team expertise, including sector and industry audit experience; and
  - audit quality (team, approach and firm).
- Evaluation and assessment – Following the review of information submitted and meetings held, the Audit and Risk Committee met to evaluate and discuss the results of the assessment and to reach a decision on its recommendation of the firm to make to the Board.
- Board decision – The Audit and Risk Committee are in the process of recommending a reputable audit firm. A resolution to appoint new auditors is expected to be put to the shareholders at the Annual General Meeting.

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 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 2021 audit fees were US$ 693,000 (2020: US$ 879,000). The total non-audit services provided by the Group's external auditor Deloitte LLP for the year ended 31 December 2021 were US$ 410,000 (2020: US$ 146,000) which comprised 37% (2020: 14%) of total audit and non-audit fees. A non-audit fee of US$ 240,000 (2020: US$ 146,000) was incurred in relation to the interim review. Additionally, a non-audit fee of US$ 170,000 (2020: nil) was incurred on costs to review the prospectus and equity raise related costs. 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 37 to the financial statements.

Audit and Risk Committee effectiveness review

The effectiveness of the Audit and Risk Committee was reviewed as part of the Board evaluation commented on page 47.

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 one case was reported. A third-party individual approached a number of employees with an allegation of procurement malpractice. The allegations were investigated and there was no evidence to substantiate claims made. There were no further instances of whistleblowing reported which fall within the Group's policy. 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.

Jyrki Koskelo
Audit and Risk Committee Chairman
12 May 2022

NOMINATION COMMITTEE REPORT

Dear Shareholders,

I am pleased to present the report of the Nomination Committee, which summarises the work completed over the course of the past year. The Committee met in May 2021 when it reviewed matters, including the re-election of Directors of the Board at the 2021 Annual General Meeting. During the year, the Committee also conducted separate interviews with candidates and recommended appointments to the Board.

The primary role of the Committee is facilitating recruitment to the Board, to promote effective succession planning for the Board and Senior Management, and to align the Board composition with the Group's culture, values and strategy. As part of this role, we ensure the Board and its committees have the right balance of skills, experience, diversity, independence and knowledge to effectively discharge their duties.

Membership

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

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

Key responsibilities

The Nomination Committee's responsibilities include:

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

Board changes

There were key changes to the Board and its committees in 2021 including the appointment of three new non-executive Directors.

The Board welcomed Jyrki Koskelo and Anthony St John to the Board as independent non-executive Directors in February and May 2021 respectively. These two appointments were made to ensure an appropriate balance on the Board in line with the provision of the Code for at least half of the Board to be non-executive Directors the Board considers to be independent. As with the appointment of Rashed Al Jarwan in 2020, both appointments followed a search process including interview and selection by members of the Committee. Given the extensive contacts already available through the Company's existing advisors, the scale of the Company and the need to minimise expense open advertising or an external search consultancy were not utilised for these appointments. Charbel El Khoury was appointed to the Board in August 2021 as a non-independent non-executive Director. In addition to being nominated by one of the Company's major shareholders, Charbel El Khoury went through a similar interview and selection process by members of the Committee as was conducted for the other non-executive Directors.

Diversity of skills, background and personal strengths are key to a board's effectiveness and each appointment referred to above was made with this in mind. Each Director brings a wealth of skills, knowledge and experience which together enable the Board to provide effective leadership to the Company. Consolidating the Board's strong relationships with key clients and banks as well as the Board's extensive sector and market knowledge and experience is beneficial to the future direction and growth of the business. Further details of the Directors are included in their biographies on pages 42 to 43.

Workforce engagement

The Committee members and Board discussed and considered the recommendations of the Code in relation to proposals for workforce engagement. After taking into account the size and structure of the Company, the Committee members and the Board agreed that the most effective way of ensuring engagement with the workforce continued to be to appoint an independent non-executive Director to oversee workforce engagement for the Board. Rashed Al Jarwan, as the Senior Independent Director, was thus appointed to this role in May 2021 bringing the Company into compliance with the relevant recommendation of the Code. As part of this role, an off-site town hall-style meeting was held with staff (with offshore staff joining by video) emphasising the importance of the contribution of the workforce and explaining the role and interest of the Board in this, in conjunction with an informal social event at which staff were able to meet and chat with Directors. This was followed up with an employee engagement survey covering several areas including, culture, environment, remuneration, individual roles and development within the Company. Overall, the survey results showed there had been improvements in most areas compared to the results of the previous survey conducted in 2019. The results were reported to and discussed by the Board as part of their ongoing considerations around the workforce. An employee action plan for 2022 was also introduced in response to the results to ensure the required focus on employee interests is sustained. The variety of engagement with the workforce provides additional forums for staff to offer their views and any concerns separately than through the normal management structure. We believe they help foster an open and constructive working environment.

Board and Committee evaluation

In 2021, an internally facilitated evaluation of the Board, its committees, individual Directors and the Executive Chairman was conducted. The evaluation followed the process set out below:

Questionnaire
Each of the Directors completed a questionnaire on a confidential basis. The questionnaire was structured to provide Directors with an opportunity to express their views on a range of matters including:
- strategy and risk;
- Board dynamics and operation;
- Executive Chairman's effectiveness;
- effectiveness of the Board and each of its committees;
- Director self-assessment and training needs; and
- other general observations

Results
The results of the 2021 Board evaluation questionnaire were collectively discussed by the Board. As a result of the findings, 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 Board concluded that it should continue to shape the agenda and Board focus on progressing the Group's business, strategy and capital structure while monitoring and managing significant risks, sustainable development and management of the Group in the longer term.

The responses received following the internal evaluation of each of the Board committees confirmed that they continued to be effective with the right composition of Directors.

Chairman review

The performance of the Chairman was evaluated by the other non-executive Directors. The evaluation, led by the Senior Independent Director, who also provides relevant feedback to the Chairman.

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 42 to 43. All of the Company's Directors will stand for re-election at the 2022 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. There is currently no female representation on the Board though the Board aspires to diversify further through the appointment of an additional Director over the coming year. The Board continues to be diverse in terms of nationalities, background and international experience of its members. The Board has a broad range of experience and expertise covering relevant technical, operational, financial, governance, legal and commercial expertise, as well as the valuable experience of operating in the energy industry on an international basis.

The People and Values section on pages 4 to 17 provides further information on the Group's workforce.

Succession planning

Succession planning for Senior Management across the Group is reviewed to enable, encourage and facilitate the development of individuals, including internal career progression opportunities as they 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
12 May 2022

Dear Shareholders,

Having joined the Board as an independent non-executive Director in May 2021, I assumed the role of Remuneration Committee Chairman from my colleague, Jyrki Koskelo, in October. I am delighted that Jyrki remains a member of the Committee along with our Senior Independent Director, Rashed Al Jarwan.

This report covers both the excellent work undertaken before I assumed the role of Chairman, and the work carried out since. During this time, key developments in the Company included conclusion of improved borrowing terms with the Company's banks, the successful completion of a share capital raise and sustained improvement of the Group's business. It also saw shareholders approve the Directors' Remuneration Report and Remuneration Policy at our 2021 AGM – the first time shareholders have approved remuneration arrangements in the Company since 2019. We consider these approvals at the AGM to be in recognition of our moving the remuneration in GMS to an appropriate structure and quantum for the Group.

Since then, the Committee has continued to progress matters in respect of remuneration in line with the policy approved by shareholders, with a focus on creating appropriate performance parameters as well as structures. This included what we believe to be the most extensive consultation with shareholders on remuneration matters in the Company's history, to reach a consensus on implementation of the Company's Long Term Incentive Plan (LTIP), in line with our commitment to shareholders in last year's report. Consequently, no changes to the Remuneration Policy are being proposed this year.

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

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

At the Company's Annual General Meeting in June 2021, 99% of votes were cast in favour of the Remuneration Report and 91% of votes in favour of the Remuneration Policy. This was the result of extensive work of the Committee to align remuneration with shareholder expectations as well as the interests of the business, in terms of both structure and quantum, to demonstrably reflect the scale and performance of the Group. Details of the changes made to remuneration and the reasons for these in terms of simplification, proportionality and alignment with shareholder interests were given in the letter from Jyrki Koskelo on pages 51 to 52 of last year's Annual Report. Shareholders also voted at the AGM for the Company's proposed Deferred Bonus Plan, amendment of the percentage of the Company's share capital available for share awards and enabling the grant to the Executive Chairman of share awards under the LTIP. We are enormously grateful to shareholders for their support as we continue our work on their behalf.

(b) Consultation with shareholders on the LTIP

Part of the support from shareholders has been on implementation of the LTIP. During the second half of last year, we undertook two rounds of consultation on this. This consultation involved 11 shareholders representing 73% of the share capital, together with the main governance organisations who advise shareholders in connection with annual reporting and general meetings. As part of the first round of consultations, we received feedback from shareholders representing a majority of the Company's share capital that they would like the LTIP to incorporate financial targets linked to the Company's strategic aims. In the second round, some shareholders requested that provisions be added to ensure a continued focus on capital efficiency.

(c) Implementation of LTIP

After full and careful consideration, and in line with the feedback from shareholders set out above, the Committee intends to implement the LTIP on the following bases:

1. Awards will vest after three years (subject to the performance conditions set out below) and be subject to a subsequent holding period of two years.

2. Awards will also only vest to the extent that performance conditions are achieved over the three years commencing with the year of grant as set out below.

3. As regards one-half of the awards, vesting will be linked to EBITDA performance. If EBITDA in 2024 falls below the following range, no vesting will take place. The full amount will only vest if Group EBITDA in 2024 meets or exceeds the top end of the following range. Vesting within this range will be on a straight-line basis between zero at the bottom of the range and 100% at the top of the range. The range of EBITDA is to be as follows: US$ 78 million–US$ 95 million

   Vesting from the lower end of this range increases on a straight-line basis commencing from zero for simplicity and fairness to reflect fully graduated vesting linked to actual performance rather than the 25% threshold vesting that would be permitted under the Directors' Remuneration Policy. The performance target is subject to the rules of the LTIP and the discretion set out in number 6 below.

4. As regards the other half of the awards, this will be linked to performance in terms of net profit. No vesting will take place if Group net profit in 2024 falls below the following range. The full amount will only vest if net profit in 2024 meets or exceeds the top end of the following range. Vesting within this range will be on a straight-line basis between zero at the bottom of the range and 100% at the top of the range. The range of net profit is to be as follows: US$ 38 million–US$ 47 million

   Vesting from the lower end of this range increases on a straight-line basis commencing from zero for simplicity and fairness to reflect fully graduated vesting linked to actual performance rather than the 25% threshold vesting that would be permitted under the Directors' Remuneration Policy.

This target will be increased if during the performance period new shares are issued (other than in the normal course for the vesting of employee share awards). The performance target is subject to the rules of the LTIP and the discretion set out in number 6 below.

5. In addition, there is to be an underpin condition such that no awards will vest if the debt leverage in the Group at 31 December 2022 exceeds 4 times EBITDA. Any amount raised from issue of further equity prior to that date will be excluded from the calculation.

6. Vesting of the awards to be granted in 2022 will, in view of the unusual recent circumstances of GMS, also be subject to an overriding discretion of the Remuneration Committee to avoid any anomalous out-turn leading to the vesting of awards that does not fairly reflect the performance of the Company.

7. No awards will be granted until after announcement in 2022 of the Group's results for 2021. This is rather than having awards granted in both 2021 and 2022. The quantum of the awards proposed for 2022 will be restricted to the quantum that was originally proposed for 2021 alone – equivalent to approximately 1% of the share capital of the Company. This overall total (valued at the date of this report at approximately GBP £516,600) compares with the Remuneration Policy limit approved by shareholders for the Executive Chairman alone in a single year of GBP £680,000 (based on the share price at the date of this report of 7.38p per share). This will though cover awards to all participants in respect of two years.

8. Only the most senior executives and management in the Company are intended to receive awards – The Executive Chairman and other members of Senior Management.

9. Subject to rules of the LTIP and standard good leaver provisions, awards will lapse if the individual leaves the Group before the awards have vested.

10. The Executive Chairman's award is expected to represent approximately 152% of salary (based on the share price at the date of this report of 7.38p per share). This is within the policy limit of 200% of salary for one year (although in effect this award covers two years, 2021 as well as 2022).

11. Awards can be (although do not have to be) satisfied from the issue of new shares to avoid depletion of the Group's cash resources or by buying shares in the open market to satisfy awards.

(d) Updates to Salary and Annual Bonus in 2022

Mansour Al Alami was appointed as Executive Chairman in November 2020. Taking into account the input that had then been received from shareholders, the Remuneration Committee determined his remuneration was at an appropriate level and structure at that time. This included an annual salary of AED 1,536,000. No annual increase to Mr Al Alami's salary was made in 2021 or 2022 though an exceptional one-off payment of AED 88,615 was made in lieu of accrued but unpaid holiday, which Mr Al Alami was unable to take during 2021 due to the exceptional level of commitment required since the commencement of his appointment. The Committee considers this to be entirely appropriate recognition of the exceptional work levels necessary and Mr Al Alami's unquestioning commitment to the unrelenting demands on his role as Executive Chairman.

The annual bonus potential for 2022 is 100% of salary for maximum performance 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, the annual bonus payable is as follows:
- 55% weighting on EBITDA;
- 15% weighting on EBITDA margin;
- 15% weighting on securing contracts for 2023 Revenues;
- 15% weighting on securing contracts for 2024 Revenues; and
- subject to an over-riding discretion to vary outcomes if a payment is not justified by overall performance and developments in the Group.

The out-turn for 2021 annual bonus resulting in a payment equivalent of 50% of salary is detailed on page 67.

Conclusion

I believe the extensive work undertaken over the past year, including the valuable contributions by shareholders, has stood us in good stead for the current year and beyond. We are grateful for the support shareholders have shown as we continue to strive for furthering shareholder and stakeholder interests alike. Following this letter are the detailed Directors' Remuneration Report and the Directors' Remuneration Policy approved by shareholders last year. Part of our aim is to maintain the consensus we have already built with shareholders. I am available to discuss matters if any shareholder or proxy advisor has any questions and I am contactable through the Company Secretary. I look forward to this continued engagement and support.

Lord Anthony St John of Bletso
Remuneration Committee Chairman
12 May 2022

DIRECTORS' REMUNERATION POLICY REPORT (UNAUDITED)

This Remuneration Policy became effective from the date of the 2021 AGM. The Policy is intended to apply for a period of three years from that date and no changes are being proposed this year. However, the Committee monitors the Remuneration Policy on a continuing basis including: consideration of evolving market practice and relevant guidance; shareholder views and results of previous voting; policies applied to the wider employee base; and with due regard to the current economic climate. Should the Committee resolve that the Remuneration Policy should be revised, such revisions will be subject to a binding shareholder vote.

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

Policy overview

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

The Company's policy is to provide remuneration to executives to reflect their contribution to the business, the performance of the Group, the complexity and geography of the Group's operations and the need to attract, retain and incentivise executives. The Committee seeks to provide remuneration packages that are simple, transparent and take into account best UK and local 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 policy, the Committee took account of the six factors set out in the UK Corporate Governance Code summarised below:

- **Clarity**
  - The Policy seeks to be transparent to shareholders and clear for Directors.
- **Simplicity**
  - The Policy seeks to follow a standard easy to understand structure for ongoing remuneration with one-off variations only where appropriate for the Group's specific circumstances.
- **Risk**
  - The Policy seeks to balance opportunity with risk in relation to the specific circumstances of the Group.
- **Predictability**
  - The Policy seeks to quantify potential outcomes from achievement of both shorter and longer-term objectives as well as quantifying fixed remuneration.
- **Proportionality**
  - The Policy is structured to incentivise and reward targets to benefit the Group whilst fairly rewarding Directors for working towards those targets and retaining overriding discretion to override formulaic outturns where it considers appropriate.
- **Alignment to culture**
  - The Policy is intended to be aligned with the culture being developed in the Group of empowerment to achieve Group objectives coupled with reward for doing so within an environment of integrity.

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.

REMUNERATION POLICY TABLE FOR EXECUTIVE DIRECTORS

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
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
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
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
End of service gratuity	• To provide an end of service gratuity as required under UAE Labour Law	• End of service gratuity contributions are annually accrued by the Company after an employee served for more than one year • The calculation is based on basic salary, duration of service and type of the contract: limited or unlimited. The Committee has no discretion on the amount. It is set and regulated by UAE Labour Law	• The maximum pay out to an employee is limited by UAE Labour Law to two years' base salary	• N/A
Benefits	• To provide competitive and cost-effective benefits to attract and retain high-calibre individuals	• Private medical insurance for the executive and close family, death in service insurance, disability insurance, accommodation payment of children's school fees and remote working expenses (as applicable)	• Actual value of benefits provided which would not exceed those considered appropriate by the Committee	• N/A

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance criteria
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	• N/A
Share ownership guidelines	• To encourage alignment with shareholders	• Executive Directors are required to build and maintain a shareholding equivalent to at least 200% salary through the retention of vested share awards or through open market purchases • A new appointment will be expected to reach this guideline in three to five years post-appointment • Executive Directors are required to retain 50% of the shares (net of tax) vesting under the incentive schemes until the guideline has been achieved • Executive Directors ceasing in their role are required to retain their then shareholding, up to their minimum in-service requirement in the first year and 50% of that in the second year, subject to the discretion of the Committee to vary the level or length of these requirements if it considers that to be appropriate in the circumstances at the time	• N/A	• N/A

Notes to the table

Annual bonus performance measures

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

LTIP performance measures

The LTIP performance measures will reward long-term financial growth and 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.

The intended LTIP performance measures for 2022 awards to be granted in 2022 are summarised in the letter from the Chairman on pages 56 to 57.

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.

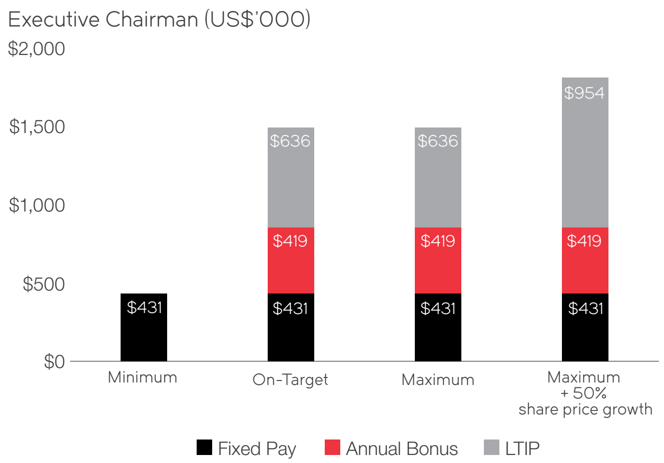
Payments under previous policies

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 2022 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 for fixed pay and annual bonus is expressed in UAE Dirhams and is shown above in US$ using an exchange rate of US$ 1/AED 3.655. 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 and at maximum, 100% of the annual bonus is earned equivalent to 100% of salary.
3 Minimum performance assumes no vesting is achieved under LTIP. On target and maximum assumes the maximum opportunity is achieved.
4 The table above does not include the one-off payment of salary of $24,179 USD that was paid to Mansour Al Alami in lieu of accrued but unpaid holiday. For further details see page 57 of the Chairman's Letter.

How remuneration of the Executive Directors differs from employees generally, and how their views are taken into account in setting Remuneration Policy

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

The Committee did not formally consult with employees in respect of the design of the Director's Remuneration Policy approved by shareholders last year. Rashed Al Jarwan was appointed as the non-executive Director overseeing workforce engagement on 6 May 2021 and further details regarding workforce engagement can be found on page 53.

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 pages 56 to 57.

Shareholder voting

The binding resolution on the Directors' Remuneration Policy and the advisory resolution on the annual report on Directors' remuneration proposed and passed at last year's AGM received the following votes from shareholders:

	Remuneration Policy (2021 AGM)		Remuneration Report (2021 AGM)	
	Votes	%	Votes	%
Votes in favour	394,480,051	90.97%	431,901,063	99.60%
Votes against	39,151,228	9.03%	1,730,216	0.40%
Total votes	433,631,279	100.00%	433,631,279	100.00%
Votes withheld	14,539	–	14,539	–

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 three 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 three months' notice. This Service Agreement is available for inspection by prior appointment at the Company's registered office and will be available for inspection at the AGM.

External appointments

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

Non-executive Directors' Remuneration Policy and terms of engagement

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

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

Non-executive Directors are appointed by letter of appointment for an initial period of three years (but are subject to annual re-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:

Rashed Saif Al Jarwan	Independent non-executive Director	10 November 2020
Charbel El Khoury	Non-executive Director	23 August 2021
Hassan Heikal	Non-executive Director and Deputy Chairman	25 November 2020
Jyrki Koskelo	Independent non-executive Director	5 February 2021
Lord Anthony St John of Bletso	Independent non-executive Director	26 May 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.

Lord Anthony St John of Bletso
Remuneration Committee Chairman
12 May 2022

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 2022 AGM. Sections of this report that are subject to audit have been indicated.

Shareholder voting at AGM

The 2021 Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2022 AGM. Votes cast by proxy and at the 2021 AGM in respect of the Directors' Remuneration Report and at the 2021 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 2020	431,901,063	99.60%	1,730,216	0.40%	14,539	433,631,279
To approve the Directors' Remuneration Policy	394,480,051	90.97%	39,151,228	9.03%	14,539	433,631,279

External advice received

In carrying out their responsibilities, the Committee seeks external advice as necessary. In 2021, given the continued extensive engagement with shareholders, the Committee did not seek the advice of external advisors in its deliberations.

Executive Directors' single total figure of remuneration earned in 2021 (audited)

The table below summarises Directors' remuneration in respect of 2021.

		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]	**2021**	**419**	**30**	**–**	**449**	**210**	**–**	**–**	**210**	**659**
	2020	44	–	–	44	–	–	–	–	44
Executive Chairman Tim Summers[6]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	457	166	47	670	267	–	–	267	937
Executive Director Steve Kersley[5]	**2021**	**70**	**16**	**7**	**93**	**–**	**–**	**–**	**–**	**93**
	2020	404	176	33	613	255	–	–	255	868
Executive Director Duncan Anderson[7]	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	244	20	57	322	–	–	–	–	322

1 Allowances include fixed cash and reimbursable allowances for air travel and transport, as well as the one-off payment of salary that was paid in lieu of accrued but unpaid holiday (see Chairman's Letter for further details). Other benefits include accommodation, private medical insurance for the executive and immediate family, death in service insurance and disability insurance. The amounts are shown as per actual expenditures.
2 End of service gratuity is the provision accrued for in the year in accordance with UAE Labour Law. Please refer to page 68 for more information. Pension provision is not a feature of executive Director remuneration packages.
3 Annual bonus for the financial year.
4 Share plans vesting represent the value of LTIP awards where the performance period ends in the year.
5 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. He was placed on gardening leave from 1 January 2021 to 10 May 2021. A final payment was made 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. The remuneration was 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. During this time, he continued to receive remuneration as disclosed in the 2020 Annual Report. 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 2021 (audited)

For 2021 the maximum annual bonus opportunity was set at 120% of base salary. The annual bonus was assessed against the following financial objectives which produced a formulaic outcome of 67.7% as set out in the table below. With the agreement of the Executive Chairman, the Remuneration Committee used its discretion to reduce the bonus pay-out to 50% of base salary.

Measure	Weighting	Performance range (from zero to full pay-out)	Result	% of base salary payable
Equity raise	40% (48% stretched)	US$ 30.0 million – US$ 35.0 million	US$ 27.8 million	0%
EBITDA	40% (48% stretched)	US$ 50 million – US$ 70.0 million	US$ 64.1 million	44.0%
EBITDA margin	10% (12% stretched)	44.0% – 52.5%	55.4%	12.0%
Securing contract % of 2022 budget revenue	10% (12% stretched)	60%–90%	87.5%	11.7%
Total				**67.7%**

	Equity raise*	Threshold	On Target	Maximum
1	**Value**	<US$ 30.0 million	US$ 30.0 million	US$ 35.0 million
	Score	0	40%	48%

	EBITDA*	Threshold	On Target	Maximum
2	**Value**	<US$ 50.0 million	US$ 58.3 million	US$ 70.0 million
	Score	0	40%	48%

	EBITDA Margin*	Threshold	On Target	Maximum
3	**Percent**	<44.0%	50.3%	52.5%
	Score	0	10%	12%

	Securing contracts % of 2021 budget revenue*	Threshold	On Target	Maximum
4	**Percent**	75.0%	75%–90%	90%
	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).

LTIP awards vesting for 2021 and Directors' interests in share plan awards (audited)

The Committee granted an LTIP award to Steve Kersley on 15 November 2019 over 1,025,333 shares. A second award of 1,025,333 shares was made on 29 May 2020.

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.

A summary of the LTIP awards granted is provided in the tables below. The LTIP awards did not include payments in respect of accrued dividends during the performance period.

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

1 Awards were 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 LTIP awards granted to Steve Kersley.

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

Awards outstanding under the Company's LTIP as at 31 December 2021 comprise:

	Grant date	No. of shares 1 January 2021	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	No. of shares 31 December 2021	End of performance period	Vesting date
Steve Kersley	15 November 2019	1,025,333	1,025,333	–	–	1,025,333	–	14 November 2022	10 May 2021
Steve Kersley	29 May 2020	1,025,333	1,025,333	–	–	1,025,333	–	28 May 2023	10 May 2021
Total awards outstanding							–		

Long-term incentive awards to be granted in 2022

After full and careful consideration, in line with feedback from consultations and subject to the required shareholder approvals, the Committee intends to make an LTIP award to the Chairman in 2022. The award will vest over three years subject to performance conditions being met in 2024 based on the ranges set out below.

Performance condition	Percentage of award	Performance target range	Vesting range
EBITDA	50%	US$ 78 million–US$ 95 million	0%-100%
Net profit	50%	US$ 38 million–US$ 47 million	0%-100%

The full amount will vest if the performance conditions meet or exceeds the top end of the performance target range. Vesting within the range will be on a straight-line basis between 0% and 100%.

Vesting will be subject to an overriding discretion of the Remuneration Committee to avoid any anomalous out-turn leading to the vesting of awards that does not fairly reflect the performance of the Company.

There is to be an underpin condition such that no awards will vest if the debt leverage in the Group exceeds 4.0 times EBITDA at 31 December 2022 excluding any issue of equity during the year.

Please refer to pages 56 to 57 of the Chairman's Letter for further details of the LTIP awards to be granted in FY2022.

Executive Directors

Base salary

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 Executive Chairman. The gratuity equates to 21 days' base salary (excluding fixed cash allowances) for each year of the first five years of employment and 30 days' wages for each additional year of employment thereafter, up to a limit of two years' total wages.

Director's pension entitlement (audited)

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

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**

On 15 July 2021 a final payment of US$ 93,210 was made as follows:

	In US$'000
Salary (From 1 March 2021 to 10 May 2021)	70
(Leave encashment (Unused leave days))	16
End of service gratuity until 10 May 2021	7
Total	**93**

Payments for loss of office (audited)

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**

On 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**

Statement of implementation of Directors' Remuneration Policy in 2021

Base salary in 2022

	Base salary from 1 January 2022 US$'000	Base salary from 1 January 2021 US$'000	% change
Mansour Al Alami	419	419	0%

Statement of implementation of Directors' Remuneration Policy in 2021 continued

Allowances and benefits for 2022

The cash allowances for 2022 comprise payments to cover costs of transport will be as follows:

	Base salary from 1 January 2022 US$'000	Base salary from 1 January 2021 US$'000	% change
Mansour Al Alami	12	30	(150)%

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 2022

For 2022 the maximum bonus opportunity will be 100% 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 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	55%
EBITDA Margin	15%
2023 Secured revenue	15%
2024 Secured revenue	15%
Total	**100%**

There is to be an underpin condition such that no bonus will be paid if the debt leverage in the Group exceeds 4.0 times EBITDA at 31 December 2022 excluding any issue of equity during the year.

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

Non-executive Directors' single figure table (audited)

	Fees 2021 US$'000	Fees 2020 US$'000	Total remuneration 2021 US$'000	Total remuneration 2020 US$'000
Chairman[1]				
Mansour Al Alami[2]	**–**	3	**–**	3
Tim Summers[3]	**–**	233	**–**	233
Chairman total	**–**	236	**–**	236
Non-executive Directors[1]				
Rashed Al Jarwan[4]	**74**	10	**74**	10
Hassan Heikal[5]	**–**	–	**–**	–
Jyrki Koskelo[6]	**62**	–	**62**	–
Lord Anthony St John of Bletso[7]	**39**	–	**39**	–
Charbel El Khoury[8]	**–**	–	**–**	–
Hesham Halbouny[9]	**–**	–	**–**	–
Saeed Mer Abdulla Al Khoory[10]	**6**	9	**6**	9
Mo Bississo[11]	**–**	–	**–**	–
David Blewden[12]	**–**	53	**–**	53
Dr Shona Grant[13]	**–**	47	**–**	47
Mike Turner[14]	**–**	58	**–**	58
Non-executive Director total	**181**	413	**181**	413

1 The Chairman and non-executive Directors' remuneration is paid in Pound Sterling and reported in US$ using an exchange rate of US$ 1.38/£1 for 2021.
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 Rashed Al Jarwan was appointed to the Board effective 10 November 2020.
5 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.
6 Jyrki Koskelo was appointed to the Board effective 5 February 2021.

7 Lord Anthony St John of Bletso was appointed to the Board effective 26 May 2021.
8 Charbel El Khoury was appointed as a non-executive Director with effect from 23 August 2021 and waived his entitlement to receive a fee for this role.
9 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.
10 Saeed Mer Abdulla Khoory was appointed as a non-executive Director in November 2020 and died in February 2021.
11 Mo Bississo was a non-executive Director from March 2019 until November 2020 and waived his entitlement to receive a fee for this role.
12 David Blewden was appointed to the Board and as Chairman of the Audit and Risk Committee in June 2019 until November 2020.
13 Dr Shona Grant was appointed as a non-executive Director in October 2018 and was removed from the Board in November 2020.
14 Mike Turner was appointed to the Board and as Chairman of the Committee from June 2019 until November 2020.

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. On cessation of employment, executive Directors will be bound by post-employment shareholding requirements, as set out in the existing Directors' Remuneration Policy. The Chairman and non-executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline.

The beneficial interests of the Directors and connected persons in the share capital of the Company at 31 December 2021 were as follows:

	At 31 December 2021	At 31 December 2020	Shareholding ownership requirement met?	Outstanding LTIP awards
Mansour Al Alami	2,202,000	–	N/A	–
Rashed Al Jarwan	–	–	N/A	–
Hassan Heikal	–	–	N/A	–
Jyrki Koskelo	–	–	N/A	–
Lord Anthony St John of Bletso	–	–	N/A	–
Charbel El Khoury	–	–	N/A	–
Saeed Mer Abdulla Al Khoory	–	–	N/A	–
Mo Bississo	–	–	N/A	–
David Blewden	–	–	N/A	–
Steve Kersley	–	–	N/A	–
Tim Summers	–	–	N/A	–
Mike Turner	–	–	N/A	–

* Mansour Al Alami increased his interest in ordinary shares to 2,571,000 for the period from 1 January 2021 to 12 May 2022.

** 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 pages 67 to 68.

Fees for the Executive Chairman and non-executive Directors

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. Hassan Heikal and Hesham Halbouny, who joined as a non-executive Directors during 2020, and Charbel El Khoury, who joined as a non-executive Director in 2021, waived their entitlements to receive a fee for their roles. A summary of the fees is set out below. Please note the fees are determined in Pound Sterling. The non-executive Directors do not have any unexpired service contracts with the Company.

	Annual fee 2022 £'000	Annual fee 2021 £'000	% change
Independent non-executive Director base fee	45	45	0%
Additional fees:			
Senior Independent Director	5	5	0%
Audit and Risk Committee Chair	5	5	0%
Nomination Committee Chair[1]	–	–	0%
Remuneration Committee Chair	5	5	0%

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

Percentage change in remuneration levels

The table below shows the variance in base salary, allowances and benefits, and STIP for the Executive Chairman in the 2021 financial year, compared to that for employees of the Group as a whole:

Measure	% change
Executive Chairman	
Base salary	0%
Allowances and benefits	150%
STIP[1]	N/A
All employees	
Base salary	1%
Allowances and benefits	2%
STIP	30%

1 As Mansour joined the Company after 1 October 2020, he did not receive an annual bonus in 2020 in line with Company policy.

Annual percentage change in director and employee remuneration

As no Board member served a full year in 2019, 2020 and 2021 (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 2021 compared to 2020 and 2020 compared to 2019:

	2021 versus 2020			2020 compared to 2019		
	Base salary	Benefits	Annual Bonus	Base salary	Benefits	Annual Bonus
Mansour Al Alami[1]	673%	1,238%	N/A	N/A	N/A	N/A
Rashed Al Jarwan[2]	643%	N/A	N/A	N/A	N/A	N/A
Saeed Mer Abdulla Khoory	-32%	N/A	N/A	N/A	N/A	N/A
Jyrki Koskelo	N/A	N/A	N/A	N/A	N/A	N/A
Lord Anthony St John of Bletso	N/A	N/A	N/A	N/A	N/A	N/A
Charbel El Khoury	N/A	N/A	N/A	N/A	N/A	N/A
Hassan Heikal	N/A	N/A	N/A	N/A	N/A	N/A
Mo Bississo	N/A	N/A	N/A	N/A	N/A	N/A
Tim Summers	N/A	N/A	N/A	12%	0	0
Mike Turner	N/A	N/A	N/A	47%	N/A	N/A
David Blewden	N/A	N/A	N/A	46%	N/A	N/A
Shona Grant	N/A	N/A	N/A	-15%	N/A	N/A
Chief Financial Officer[3]	N/A	N/A	N/A	-11%	136%	144%
Chief Executive Officer[4]	-53%	-80%	-22%	180%	-4%	64%
FTEs	1%	2%	30%	-1%	6%	-48%

1 Mansour Al Alami was appointed as Executive Chairman on 23 November 2020.
2 Rashed Al Jarwan was appointed to the Board effective 10 November 2020.
3 The Chief Financial Officer role was held by two people in 2019 and one in 2020. These amounts are the combined actual amounts paid.
4 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.

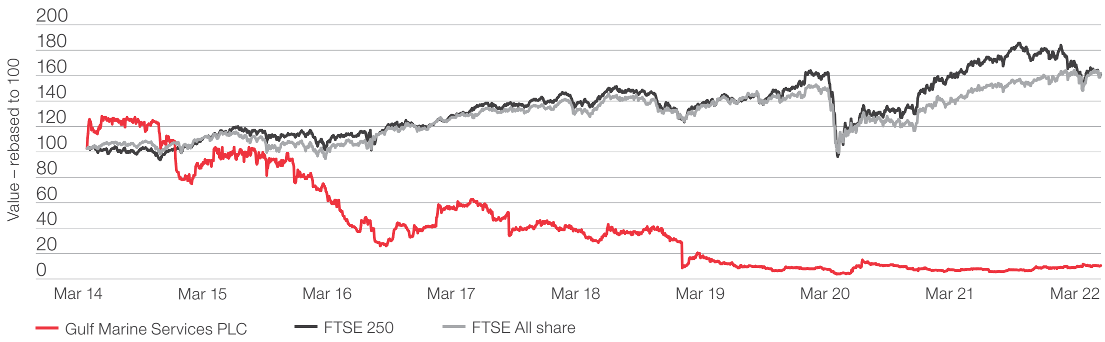
Relative importance of the spend on pay

The table below shows overall expenditure on pay in the whole Group in 2021 and 2020 financial years, compared to returns to shareholders through dividends:

	2021 US$'000	2020 US$'000	% change
Overall expenditure on pay	**31,039**	27,692	12%
Dividends and share buybacks	**–**	–	0%

Total shareholder return performance graph

This graph below shows the value, at 31 December 2021, 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 and the FTSE AllShare over the same period. The FTSE AllShare Index has been selected for this comparison and is considered to be the most appropriate index measure when comparing against the Gulf Marine Services PLC share price. The FTSE 250 Index has also been shown as this was shown in prior years.



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 2021 is in compliance with the Code which provides that all members of the Committee should be independent non-executive Directors.

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. Having joined the Board as an independent non-executive Director in May 2021, I assumed the role of Remuneration Committee Chairman from Jyrki Koskelo in October 2021. Rashed Al Jarwan has served as a member of the Committee throughout the year and continues to do so along with Jyrki and myself.

The 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 debating matters concerning themselves. The Company Secretary acts as Secretary to the Committee.

The Committee met on three occasions during 2021. Members' attendance at those meetings is shown on page 41. The Committee also held informal discussions as required. The Committee did not use any external remuneration advisors during the year.

Performance evaluation of the Committee

The performance of the Committee was evaluated, as part of the overall Board evaluations reported on in the report of the Nomination Committee on page 54.

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 12 May 2022 for presentation to shareholders at the AGM.

Lord Anthony St John of Bletso
Remuneration Committee Chairman
12 May 2022

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

The Strategic Report on pages 1 to 39 includes reviews of the Group business model and strategy, an indication of likely future developments in the Group, and details of important events since the year ended 31 December 2021.

The Corporate Governance Reports on pages 40 to 79 include summaries of the operations of the Board and its committees, and information regarding the Group's compliance with the Code during 2021.

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

Disclosure requirements of Listing Rule 9.8.4R

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

Listing Rule requirement	Page
Interest capitalised and tax relief	Not applicable
Publication of unaudited financial information	Not applicable
Details of any long-term incentive schemes	Pages 67 to 68
Waiver of emoluments by a Director	Pages 70 to 71
Waiver of future emoluments by a Director	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waivers of dividends	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Directors

The Directors who served during the year are as follows:
Mansour Al Alami
Hassan Heikal
Rashed Al Jarwan
Jyrki Koskelo (appointed 5 February 2021)
Lord Anthony St John of Bletso (appointed 26 May 2021)
Charbel El Khoury (appointed 23 August 2021)
Saeed Mer Abdulla Khoory (passed away on 2 February 2021)

There have been no changes to the Board between 31 December 2021 and the date of this report. Biographical details of the current Directors are set out on pages 42 to 43. The beneficial interests of the Directors and connected persons in the share capital of the Company are set out on page 71 of the Report of the Remuneration Committee.

Powers of Directors

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

Appointment and replacement of Directors

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

Directors wishing to continue to serve will seek re-election annually in accordance with provision 18 of the Code. This includes Directors who have been appointed by the Board since the last Annual General Meeting (AGM), Charbel El Khoory having been appointed in this way during 2021. All Directors are being proposed by the Board for reappointment at the forthcoming AGM.

Section 172(1) of the Companies Act 2006

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 15. Please also refer to pages 22 to 24 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 14 and forms part of this report by reference.

Amendments to the Articles of Association

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

Indemnification of Directors

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

Change of control

As at 31 December 2021, 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 56 to 57 contain provisions relating to a change of control of the Company. Vesting of outstanding awards and options on a change of control would normally be at the discretion of the Remuneration Committee, which would, where it considered appropriate, take into account the satisfaction of any applicable performance conditions at that time and the expired duration of the relevant performance period.

Operational contracts

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

Group banking facility

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

Share capital

Details of the Company's issued share capital as at 31 December 2021 can be found in Note 12 to the consolidated financial statements, on page 119. The Company's share capital comprises ordinary shares with a nominal value of 2p each, which are listed on the London Stock Exchange. Until the general meeting of the Company on 25 June 2021, the nominal value of each ordinary share was 10p. At that general meeting, each ordinary share was then sub-divided and re-designated into (a) 1 ordinary share of 2p, such shares having the same rights in all respects as the existing ordinary shares; and (b) 1 (one) Deferred Share of 8p with only very limited rights. The Company intends to propose a resolution at the Company's forthcoming AGM to enable these deferred shares to be cancelled.

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

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

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

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

At the 2021 AGM, the Directors were granted a general authority to allot up to 116,829,262 new shares equal to approximately one-third of the issued share capital of the Company at the date of the notice of AGM. The Directors were also then granted an additional authority to allot up to 116,829,262 shares in connection with a rights issue, representing a further one-third of the issued share capital of the Company at the date of the notice of AGM. In addition, the Company received authority to allot shares for cash on a non-pre-emptive basis up to 35,048,778 shares, representing approximately 10% of the Company's issued share capital at the date of the notice of AGM. These are routine authorities common amongst listed companies and follow 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 and intends to continue following these guidelines. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2022 AGM. Resolutions will be proposed at the 2022 AGM to renew these authorities based on the share capital at the date of notice of the 2022 AGM.

An additional authority to allot and to disapply pre-emption rights granted at the Company's General Meeting on 25 June 2021 remains and will continue in force in relation to the warrant issuance in respect of nominal value of up to GBP £4,065,658.32 which may be required in connection with the debt deal announced on 1 April 2021.

Also, at the 2021 AGM, the Company was authorised to make market purchases of up to 35,048,779 of its own ordinary shares, representing approximately 10% of the Company's issued share capital as at 1 June 2021, being the latest practicable date before publication of this notice. The resolution specifies the minimum and maximum prices at which the ordinary shares may be bought under this authority.
The Company did not buy back any shares during the year and therefore the outstanding authority from the 2021 AGM remains at 35,048,779. The Company intends to renew this authority at the forthcoming AGM.

Substantial shareholders

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

	As at 31 December 2021 Number of shares	As at 31 December 2021 % of share capital	As at 12 May 2022 Number of shares	As at 12 May 2022 % of share capital
Seafox International Limited	304,822,732	29.99%	304,822,732	29.99%
Mazrui Investments LLC	260,180,095	25.60%	260,180,095	25.60%
Castro Investments Ltd	34,378,680	3.38%	34,378,680	3.38%

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 28 to 33 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 26 to the consolidated financial statements on pages 124 to 128.

Post balance sheet events

More details can be found in Note 39 to the consolidated financial statements on page 138.

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 39 and forms part of this report by reference.

Research and development

The Group did not undertake any research and development activities during the year (2020: none).

Political donations

The Group made no political donations and incurred no political expenditure during the year (2020: nil).

The existence of branches outside the UK

The Group has a branch in Qatar.

Employees and policies

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

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

Further information on employees and the Company's engagement with them is given in the Strategic Report and Corporate Governance Report on pages 1 to 39 and pages 40 to 79.

Greenhouse gas emissions/Streamlined energy and carbon reporting

Information on the Group's greenhouse gas emissions/Streamlined energy and carbon reporting is set out on pages 12 to 13 and forms part of this report by reference.

Dividends

No dividend is to be paid or proposed for 2021 (2020: nil).

Going concern

The Group's Directors have assessed the Group's financial position for a period through to June 2023 and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

The material uncertainty over going concern that existed and was previously disclosed as a significant judgment when the 31 December 2020 financial statements were approved on 21 May 2021 no longer exists due to the successful issuance of equity in June 2021, which removed the potential event of default on the Group's revised bank facilities, as renegotiated in March 2021.

The renegotiation of bank facilities also resulted in a 40% reduction in margin payable in 2021 and 2022, with the surplus cash generated from these savings used to accelerate repayment of the loan principal (refer to Note 21 for further details on the revised terms of the bank facility).

As a result of the above refinancing in March 2021 and subsequent equity raise in June 2021, the Directors no longer consider going concern to be a critical accounting judgment as at 31 December 2021.

The Group is exploring various contractual options available per the current bank terms to take place by the end of 2022. As disclosed in the strategic report, the two options available are the raise of US$ 50 million equity or the issuance of 87.6 million warrants giving potential rights to 132 million shares if exercised. As at 31 December 2021, the Board consider the more likely outcome will be the issuance of warrants rather than the equity raise. PIK interest will potentially accrue, only if the net leverage ratio is above 4.0 times. Based on the latest Board approved projections, the net leverage ratio is expected to be below 4.0x and therefore no PIK interest is expected.

The forecast used for Going Concern reflects management's key assumptions including those around utilisation and vessel day rates on a vessel-by-vessel basis. Refer to the Going Concern section in Note 3 of consolidated financial statements for details of assumptions used in the forecast.

As noted above the impact of COVID-19 has also been considered in short-term forecasts approved by the Board which include 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. Management note that the impact of COVID-19 has shown significant signs of easing in H1 2021, continuing throughout 2022 and therefore this is not expected to be a long-term risk.

While the current situation regarding the war in Ukraine and Russian sanctions described on page 33 remains uncertain, the Directors believe the potential impact of the war, border closures and resulting sanctions will not have a significant impact on operations.

Brexit is not expected to have a significant effect on the Group's operations as 12 of 13 vessels are in the MENA region.

The Group is expected to continue to generate positive operating cash flows for the foreseeable future and has in place a committed working capital facility of US$ 50.0 million, of which US$ 25.0 million can be utilised to support the issuance of performance bonds and guarantees. The balance can be utilised to draw down cash. US$ 21.5 million of this facility was utilised as at 31 December 2021, leaving US$ 3.5 million available for drawdown (2020: US$ 3.5 million). There was a reduction to the cash element of the working capital facility by US$ 5 million to US$ 20 million on 31st March 2022. A payment of US$ 5 million was made by the Group on the same day reducing the amount utilised to US$ 16.5 million, leaving US$ 3.5 million available for available for drawdown as at 31 March 2022. The working capital facility expires alongside the main debt facility in June 2025.

The principal borrowing facilities are subject to covenants and are measured bi-annually in June and December. Refer to Note 21 for further details.

The Group's forecasts, having taken into consideration reasonable risks and downsides, indicate that its revised bank facilities along with sufficient order book of contracted work (currently secured 86% of revenue for FY 2022) and a strong pipeline of near-term opportunities for additional work (a further 6% is at an advanced stages of negotiation captured in the Group's backlog) will provide sufficient liquidity for its requirements for the foreseeable future and accordingly the consolidated financial statements for the Group for the current period have been prepared on a going concern basis.

A downside case was prepared by management. Refer to the Going Concern section in Note 3 of consolidated financial statements for assumptions around the downside case.

Based on the above scenario, the Group would not be in breach of its term loan facility, however, the net leverage ratio is forecast to exceed 4.0 times as at 31 December 2022 for a period of 6 months and therefore PIK interest of US$ 3.9 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The downside case is considered to be severe but plausible and would still leave the Group with US$ 10 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the period until the end of May 2023.

In addition to the above reasonably plausible downside sensitivity, the Directors have also considered a reverse stress test, where adjusted EBITDA has been sufficiently reduced to breach the net leverage ratio as a result of a combination of reduced utilisation and day rates, the key features of which are described in Note 3 of consolidated financial statements.

In addition to the reasonably plausible downside sensitivity described above, the Directors have also considered a reverse stress test, the key features of which are described in Note 3 of consolidated financial statements.

Based on the above scenario, net leverage ratio is forecast to exceed 4.0 times at 31 December 2022 for a period of six months and therefore PIK interest of US$ 3.9 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The net leverage ratio is also breached at HY 2023.

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due (refer Note 21 for maturity profiles) and in order to maintain liquidity. Potential mitigating actions are described in Note 3 of consolidated financial statements.

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. Please refer to pages 4 to 17 for more details of climate change and mitigants adopted by the Group.

Going concern continued

More information on the going concern status of the Group can be found in the Going Concern section of Note 3 to the consolidated financial statements on page 98. Details of the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk can be found in Note 26 of the consolidated financial statements on pages 124 to 128. The principal risks and uncertainties facing the Group are set out on pages 28 to 33. Information on the Group's longer-term viability is provided within the risk management section on pages 28 to 33.

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.

Appointment of new external auditor

The Audit and Risk Committee are in the process of recommending a new auditor to be appointed as detailed in the Report of the Audit Committee on page 51. A resolution to appoint a new auditor is expected to be put to the shareholders at the Company's AGM.

Annual General Meeting

Details of the Company's 2022 AGM are included in the Notice of AGM accompanying this Annual Report. The Notice of AGM sets out the business of the meeting and includes an explanation of all resolutions to be proposed. Separate resolutions will be proposed in respect of each substantive issue.

By order of the Board.

Tony Hunter
Company Secretary
12 May 2022

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 UK-Adopted International Accounting Standards. 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 12 May 2022 and is signed on its behalf by:

Mansour Al Alami
Executive Chairman
12 May 2022

Lord Anthony St John of Bletso
Independent Non-executive Director
12 May 2022

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 2021 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;**
- **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 39 of the consolidated financial statements and Notes 1 to 14 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 United Kingdom adopted international accounting standards. 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 37 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment and impairment reversals of the Group's vessels; and • Recognition of charter hire and lease 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$ 1.7 million which was determined on the basis of 1.5% 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 Group audit engagement team which comprises the UK and UAE audit teams.
Significant changes in our approach	Our audit approach has changed from the prior year as follows: • Removal of the accounting for the modification of debt as a key audit matter due to there not being significant judgements or complexities involved in accounting for the debt modified during the year ended 31 December 2021; • Removal of the material uncertainty in relation to the Group's and Parent Company's ability to continue as a going concern following the successful refinancing of the Group's debt in March 2021 and successful equity rise in June 2021; and • A change in the key audit matter in relation to revenue recognition, focusing on accuracy, as opposed to completeness in the prior year and expanding our key audit matter to include both charter hire and lease revenue.

4. Conclusions relating to going concern

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 2021 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, energy transition and the Russia-Ukraine war 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 covenant 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;
- Testing of the accounting for the March 2021 modification of the Group's financing arrangements and the subsequent accounting for that debt, the June 2021 equity raise; and
- Assessing the related disclosures in the Annual Report.

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

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.

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

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.

5.1. Impairment and impairment reversals 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$ 560.9 million at 31 December 2021 (2020: US$ 558.6 million). As described in Notes 4 and 5, external factors such as the improvement in general market conditions, in particular the long-term outlook, and sustained increases in oil prices were indications that the value of the vessels may have increased at the end of 2021 compared to 2020 leading to potential impairment reversals. The Group has recorded a total impairment reversal of US$ 15.0 million in relation to eight of its thirteen vessels.

Management has obtained an independent broker valuation of its vessels as at 2 February 2022 for the purpose of its banking covenant compliance requirements. However, management does 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 has concluded that the vessels' recoverable amount should be based on value in use ("VIU").

As described in Note 5, the most difficult and subjective estimates 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 50.

Consistent with prior year, a sensitivity analysis was performed where a 1% reasonably possible change in assumption was applied to the pre-tax discount rate and the impairment impact disclosed. As described in Note 4, management reviewed and narrowed the peer group used to compute the discount rate following consultation with external advisors. The change in the discount rate exceeds the reasonably possible change that management disclosed in the prior year, however the same peer group will be used going forward as management deems this group to be more relevant. Management therefore does not anticipate significant changes beyond 1% to the discount rate going forward.

Due to the sensitivity of the recoverable amounts to these key assumptions and the subjectivity and judgement involved impacting the impairment reversals in the current year, we identified a key audit matter relating to these assumptions with regard to those vessels that we consider carry a significant risk in relation to impairment and impairment reversals (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 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; • Compared management's VIUs on a vessel-by-vessel basis and in aggregate with the vessel values included in a recent independent market and fleet valuation report that management obtained during the year, as described in Note 5, and assessed any significant differences between the values per the above independent report and management's VIUs; • 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; • Challenged the appropriateness of management's sensitivities in order to assess the reasonableness of the assumptions included; • 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 holding discussions with management's experts and assessing the skills and knowledge of the experts, 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 and reversals of previous impairments to assess whether these are adequate and appropriate by reference to the relevant accounting standards.

5. Key audit matters continued

5.1. Impairment and impairment reversals of the Group's vessels continued

Key observations	We found management's assumptions of longer term day rates and utilisation for the Group's vessels to be appropriate 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 and when the resulting VIUs were compared against the values in the Westwood Global Energy Group report. We accepted management's assumptions to be within a reasonable range. We found management's discount rate assumption to be within our reasonable range, albeit at the more conservative end of the range. Accordingly, we determined that management's VIU estimates were reasonable overall, and the resulting current year impairment reversal was supportable. We identified that management's controls throughout the process of preparing and reviewing the value in use calculations, were not sufficiently robust to identify errors in the overall assessment 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 and reversals of previous impairments to be appropriate, including those relating to the sensitivity analysis performed over the value in use analysis and the outcomes of this.

5.2. Recognition of charter hire and lease 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. Accordingly, in order for revenue to be recorded appropriately, management must: • accurately record the number of days both on hire and on standby (to ensure both completeness and accuracy); • apply the correct contractual rates, net of any agreed discounts, to the number of days in each of these categories (to ensure accuracy); and • ensure there is an appropriate process for reviewing all contracts in place to ensure contractual terms are accounted for in line with both the lessor accounting requirements of IFRS 16 (given the required allocation under IFRS 16 to leasing revenue for hired equipment on board) and the revenue recognition principles of IFRS 15. Due to the significant variability in contract terms by vessel and by counterparty, and the potential for management bias to record higher revenues given it is a key performance indicator for the Group, we have identified the accurate recording of charter hire revenue (and by extension, the lease revenue) as a key audit matter. Further details of revenue generated in the year are provided in Notes 29 and 32 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; • 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 the day rates to the underlying contracts; and • Agreed billed revenues to cash received.

Key observations	We identified that management's controls were not sufficiently robust to identify errors in the recording of revenue in accordance with the terms of the underlying contracts and the Group's accounting policies in this area. 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 and overall are satisfied that revenue has been recorded appropriately.

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$ 1.7 million (2020: US$ 1.6 million)	US$ 1.19 million (2020: US$ 1.57 million)
Basis for determining materiality	1.5% of revenue (2020: 1.6% of revenue)	0.5% of net assets (2020: 0.5% of net assets)
Rationale for the benchmark applied	Revenue has been used as the primary benchmark for determining materiality as it is the most stable measure in the Group's financial statements, remaining consistent year on 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.

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% (2020: 60%) of Group materiality	60% (2020: 60%) 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: as in the prior year, controls reliance could not be taken over the revenue business process and a number of deficiencies in internal controls were identified as described in the Key Audit Matter for the impairment and impairment reversals of the Group's vessels; • Governance considerations: turnover of management and key accounting personnel, including the Chief Financial Officer in 2022 during the year end audit, in addition to the introduction of three new Board members during the year. Additional considerations were made in respect of the 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 current management as a result of potential incentives to portray favourable results; and • Level of error: the high volume of misstatements identified in the prior year's audit, including a number of restatements of the comparative financial information in the prior year.	

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$ 85,100 (2020: US$ 81,500), 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 testing 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.

There were further control deficiencies and errors identified, most notably in respect of deficiencies related to the recording of vessel impairment reversals and financial reporting process.

There were also control deficiencies and errors identified, most notably in respect of the accounting for the June 2021 equity raise, the March 2021 modification of the Group’s financing arrangements and the subsequent accounting for that debt. We considered these control deficiencies within the Going Concern section of our report.

The deficiencies identified in the Key Audit Matters section have been considered by the Audit and Risk Committee in its report on page 50, including the actions to remediate these deficiencies.

7.3. Our consideration of climate-related risks

We reviewed management’s climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements. We also considered climate change within our audit risk assessment process.

Management has identified the risk in relation to climate change and energy transition to be primarily relevant to the carrying values of the Group’s vessels, particularly in relation to the potential impacts on long term oil and gas prices as a result of countries taking measures to achieve climate change goals.

Management’s conclusion is that whilst climate change has been recognised as a principal risk for the first time in December 2021 (which means it will be monitored as part of the Group’s enterprise risk assessment process going forward), at present, the Board does not believe the Group will face any significant negative impacts of climate change on demand levels for its vessels in the near term (due to a combination of: the expected continued demand for oil and gas to be produced in the Group’s core market of the Middle East; and the alternative opportunities that exist for the Group to deploy more of its fleet in offshore renewables in the long-term without major additional capital expenditure being required on its vessels in order to do so).

Our response to the risk in relation to the carrying amount of the Group’s vessels is documented within the ‘Impairment and impairment reversals of the Group’s vessels” key audit matter.

With the involvement of our climate change specialists, we:

- evaluated financial statement disclosures to assess whether climate risk assumptions underpinning specific account balances were appropriately disclosed and specifically, that the Group has complied with the requirements of LR 9.8.6(8)R, by reporting on a ‘comply or explain’ basis against the 11 recommended TCFD disclosures;
- read the climate change-related statements (as disclosed in the ‘People and Values” section in the Strategic Report) and considered whether the information included in the narrative reporting is materially consistent with the financial statements and our knowledge obtained in the audit; and
- assessed the Task Force on Climate-related Financial Disclosures (‘TCFD’) framework.

7.4. 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.

The UAE audit team was able to conduct audit procedures at the Company’s premises. The UK audit team 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 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;
  - identifying and monitoring related parties and related party transactions;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, financial instruments and IT audit 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: impairment and impairment reversals of the Group's vessels and the recognition of charter hire and lease 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 ability to operate or to avoid a material penalty.

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

11.2. Audit response to risks identified

As a result of performing the above, we identified the impairment and impairment reversals of the Group's vessels and the recognition of charter hire and lease 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 legal counsel concerning actual and potential litigation and claims;
- performing interrogation procedures on the Group's transactions to identify 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 those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; 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 pages 76 to 78;
- 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 pages 76 to 78;
- the directors' statement on fair, balanced and understandable Annual report and financial statements set out on page 79;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 28;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 5; and
- the section describing the work of the Audit and Risk Committee set out on pages 49 to 52.

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 8 years, covering the years ending 31 December 2014 to 31 December 2021.

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Graham Hollis, ACA
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen
12 May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
Revenue	29,32	**115,127**	102,492
Cost of sales		**(69,460)**	(70,864)
Reversal of impairment/(impairment loss)	5,29	**14,959**	(87,156)
Gross profit/(loss)		**60,626**	(55,528)
Restructuring costs	33	**–**	(2,492)
Exceptional legal costs	34	**–**	(3,092)
Other general and administrative expenses		**(12,272)**	(12,632)
General and administrative expenses		**(12,272)**	(18,216)
Operating profit/(loss)		**48,354**	(73,744)
Finance income	35	**9**	15
Finance expense	36	**(14,463)**	(46,740)
Foreign exchange loss, net	37	**(1,002)**	(993)
Loss on disposal of property and equipment	37	**–**	(2,073)
Gain on disposal of fixed assets held for sale	37	**–**	259
Other income		**28**	257
Profit/(loss) for the year before taxation		**32,926**	(123,019)
Taxation charge for the year	8	**(1,707)**	(1,285)
Net profit/(loss) for the year	37	**31,219**	(124,304)
Other comprehensive income/(expense) – items that may be reclassified to profit or loss:			
Net gain on changes in fair value of hedging instruments	10	**–**	21
Net hedging gain reclassified to the profit or loss	10	**278**	883
Exchange differences on translation of foreign operations		**(91)**	425
Total comprehensive gain/(loss) for the year		**31,406**	(122,975)
Profit/(loss) attributable to:			
Owners of the Company		**31,001**	(124,339)
Non-controlling interests	18	**218**	35
		31,219	(124,304)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		**31,188**	(123,010)
Non-controlling interests	18	**218**	35
		31,406	(122,975)
Earnings/(loss) per share:			
Basic (cents per share)	31	**4.48**	(35.48)
Diluted (cents per share)	31	**4.46**	(35.48)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Property and equipment	5	**605,526**	605,077
Dry docking expenditure	6	**8,799**	10,391
Right-of-use assets	7	**2,884**	3,340
Total non-current assets		**617,209**	618,808
Current assets			
Trade and other receivables	9	**48,917**	31,834
Cash and cash equivalents	11	**8,271**	3,798
Total current assets		**57,188**	35,632
Total assets		**674,397**	654,440
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital – Ordinary	12	**30,117**	58,057
Share capital – Deferred	12	**46,445**	–
Share premium account	12	**99,105**	93,080
Restricted reserve	13	**272**	272
Group restructuring reserve	14	**(49,710)**	(49,710)
Share based payment reserve	15	**3,648**	3,740
Capital contribution	16	**9,177**	9,177
Cash flow hedge reserve		**(558)**	(836)
Translation reserve	17	**(2,086)**	(1,995)
Retained earnings	17	**124,386**	93,385
Attributable to the owners of the Company		**260,796**	205,170
Non-controlling interests	18	**1,912**	1,694
Total equity		**262,708**	206,864
Current liabilities			
Trade and other payables	20	**19,455**	23,395
Current tax liability		**5,669**	4,811
Bank borrowings – scheduled repayments within one year	21	**26,097**	31,024
Lease liabilities	22	**1,817**	1,739
Total current liabilities		**53,038**	60,969
Non-current liabilities			
Provision for employees' end of service benefits	19	**2,322**	2,190
Bank borrowings – scheduled repayments more than one year	21	**353,429**	379,009
Lease liabilities	22	**1,107**	1,572
Derivative financial instruments	10	**1,793**	3,836
Total non-current liabilities		**358,651**	386,607
Total liabilities		**411,689**	447,576
Total equity and liabilities		**674,397**	654,440

The financial statements were approved by the Board of Directors and authorised for issue on 12 May 2022.
Registered Company 08860816. They were signed on its behalf by:

Mansour Al Alami
Executive Chairman

Lord Anthony St John of Bletso
Independent Non-executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital – Ordinary US$'000	Share capital – Deferred US$'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 2020	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)/profit 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
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	425	–	425	–	425
Total comprehensive loss for the year	–	–	–	–	–	–	–	901	3	425	–	(123,010)	35	(122,975)
Gain/loss on currency hedges reclassified to profit or loss	–	–	–	–	–	–	–	(2,257)	2,257	–	–	–	–	–
Share based payment charge *(Note 15,27)*	–	–	–	–	–	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	31,001	31,001	218	31,219
Net hedging gain on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	–	278	–	–	–	278	–	278
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	(91)	–	(91)	–	(91)
Total comprehensive gain for the year	–	–	–	–	–	–	–	278	–	(91)	31,001	31,188	218	31,406
Share based payment charge *(Note 15,27)*	–	–	–	–	–	(18)	–	–	–	–	–	(18)	–	(18)
Capital reorganisation *(Note 12)*	(46,445)	–	–	–	–	–	–	–	–	–	–	(46,445)	–	(46,445)
Issue of share capital *(Note 12)*	18,505	46,445	9,253	–	–	–	–	–	–	–	–	74,203	–	74,203
Share issue costs *(Note 12)*	–	–	(3,228)	–	–	–	–	–	–	–	–	(3,228)	–	(3,228)
Cash settlement of share based payments (Note 27)	–	–	–	–	–	(74)	–	–	–	–	–	(74)	–	(74)
At 31 December 2021	**30,117**	**46,445**	**99,105**	**272**	**(49,710)**	**3,648**	**9,177**	**(558)**	**–**	**(2,086)**	**124,386**	**260,796**	**1,912**	**262,708**

Refer to *Notes 12 to 18* for description of each reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
Net cash generated from operating activities	38	**40,511**	44,268
Investing activities			
Payments for additions of property and equipment		**(7,898)**	(5,623)
Dry docking expenditure incurred		**(3,609)**	(7,600)
Interest received		**9**	15
Proceeds from disposal of property and equipment		**–**	299
Proceeds from disposal of assets held for sale		**–**	559
Net cash used in investing activities		**(11,498)**	(12,350)
Financing activities			
Proceeds from issue of shares		**27,758**	–
Bank borrowings received		**2,000**	21,500
Repayment of bank borrowings		**(30,983)**	(12,075)
Interest paid on bank borrowings		**(12,950)**	(27,903)
Payment of issue costs on bank borrowings		**(3,615)**	(14,449)
Share issue costs paid		**(3,228)**	–
Principal elements of lease payments		**(2,342)**	(1,871)
Settlement of derivatives		**(1,033)**	(883)
Interest paid on leases		**(147)**	(193)
Dividends paid		**–**	(650)
Net cash used in financing activities		**(24,540)**	(36,524)
Net increase/(decrease) in cash and cash equivalents		**4,473**	(4,606)
Cash and cash equivalents at the beginning of the year		**3,798**	8,404
Cash and cash equivalents at the end of the year	11	**8,271**	3,798
Non-cash transactions			
Recognition of deferred shares		**46,445**	–
Recognition of right-of-use asset		**1,955**	3,239
Capital accruals		**408**	585
Drydock accruals		**302**	411

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

1 General information

Gulf Marine Services PLC ("GMS" or "the Company") is a company which is limited by shares and is registered and incorporated in England and Wales on 24 January 2014. The Company is a public limited company with operations mainly in the Middle East and North Africa (MENA), 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 2020, except for the adoption of new standards and interpretations effective as at 1 January 2021.

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
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases)	1 January 2021

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application. The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

For risks arising from interest rate benchmark reform please refer Note 26.

COVID-19 – Related Rent Concessions – Amendments to IFRS 16 *Leases*	1 January 2021

The amendment 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.

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 IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	Not stated
Amendments to IAS 1 *Presentation of Financial Statements* – 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.	1 January 2023
Amendments to IFRS 3 *Business Combinations* – 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.	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.	1 January 2022

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

New and revised IFRSs in issue but not yet effective continued

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* – 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.	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 – Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS *9 Financial Instruments* and IFRS 16 *Leases* The Annual Improvements include amendments to three Standards which are applicable to the Group *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).	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.	Not stated
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
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* – Disclosure of Accounting Policies The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendment replaces all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	1 January 2023

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 8 *Accounting Policies Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates	1 January 2023

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:
- a change in accounting estimate that results from new information or new developments is not the correction of an error; and
- the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Amendments to IAS 12 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:
- a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - right-of-use assets and lease liabilities;
  - decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset;
- 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 that date.

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

3 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for 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.

3 Significant accounting policies continued

Going concern

The Group's Directors have assessed the Group's financial position for a period through to June 2023 and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

The material uncertainty over going concern that existed and was previously disclosed as a significant judgment when the 31 December 2020 financial statements were approved on 21 May 2021 no longer exists due to the successful issuance of equity in June 2021, which removed the potential event of default on the Group's revised bank facilities, as renegotiated in March 2021.

The renegotiation of bank facilities also resulted in a 40% reduction in margin payable in 2021 and 2022, with the surplus cash generated from these savings used to accelerate repayment of the loan principal (refer to Note 21 for further details on the revised terms of the bank facility).

As a result of the above refinancing in March 2021 and subsequent equity raise in June 2021, the Directors no longer consider going concern to be a critical accounting judgment as at 31 December 2021.

The Group is exploring various contractual options available per the current bank terms to take place by the end of 2022. As disclosed in the strategic report, the two options available are the raise of US$ 50 million equity or the issuance of 87.6 million warrants giving potential rights to 132 million shares if exercised. As at 31 December 2021, the Board consider the more likely outcome will be the issuance of warrants rather than the equity raise. PIK interest will potentially accrue, only if the net leverage ratio is above 4.0 times. Based on the latest Board approved projections, the net leverage ratio is expected to be below 4.0x and therefore no PIK interest is expected.

The forecast used for Going Concern reflects management's key assumptions including those around utilisation and vessel day rates on a vessel-by-vessel basis. Specifically, these assumptions are:
- Average day rates across the fleet are assumed to be US$ 28.6k for the 18 month period to 30 June 2023;
- 90% forecast utilisation for the 18 month period to 30 June 2023;
- Strong pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

As noted above the impact of COVID-19 has also been considered in short-term forecasts approved by the Board which include 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. Management note that the impact of COVID-19 has shown significant signs of easing in H1 2021, continuing throughout 2022 and therefore this is not expected to be a long-term risk.

While the current situation regarding the war in Ukraine and Russian sanctions described on page 33 remains uncertain, the Directors believe the potential impact of the war, border closures and resulting sanctions will not have a significant impact on operations.

Brexit is not expected to have a significant effect on the Group's operations as 12 of 13 vessels are in the MENA region.

The Group is expected to continue to generate positive operating cash flows for the foreseeable future and has in place a committed working capital facility of US$ 50.0 million, of which US$ 25.0 million can be utilised to support the issuance of performance bonds and guarantees. The balance can be utilised to draw down cash. US$ 21.5 million of this facility was utilised as at 31 December 2021, leaving US$ 3.5 million available for drawdown (2020: US$ 3.5 million). There was a reduction to the cash element of the working capital facility by US$ 5 million to US$ 20 million on 31st March 2022. A payment of US$ 5 million was made by the Group on the same day reducing the amount utilised to US$ 16.5 million, leaving US$ 3.5 million available for drawdown as at 31 March 2022. The working capital facility expires alongside the main debt facility in June 2025.

The principal borrowing facilities are subject to covenants and are measured bi-annually in June and December. Refer to Note 21 for further details.

The Group's forecasts, having taken into consideration reasonable risks and downsides, indicate that its revised bank facilities along with sufficient order book of contracted work (currently secured 86% of revenue for FY 2022) and a strong pipeline of near-term opportunities for additional work (a further 6% is at an advanced stages of negotiation captured in the Group's backlog) will provide sufficient liquidity for its requirements for the foreseeable future and accordingly the consolidated financial statements for the Group for the current period have been prepared on a going concern basis.

A downside case was prepared using the following assumptions:
- no work-to-win in 2022;
- a 22 percent reduction in work to win utilisation in H1 2023; and
- a reduction in day-rates for an E-Class vessel assumed to have the largest day rate, by 10% commencing from November 2022, i.e. after expiry of the current secured period.

Based on the above scenario, the Group would not be in breach of its term loan facility, however, the net leverage ratio is forecast to exceed 4.0 times as at 31 December 2022 for a period of 6 months and therefore PIK interest of US$ 3.9 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The downside case is considered to be severe but plausible and would still leave the Group with US$ 10 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the period until the end of May 2023.

In addition to the above reasonably plausible downside sensitivity, the Directors have also considered a reverse stress test, where adjusted EBITDA has been sufficiently reduced to breach the net leverage ratio as a result of a combination of reduced utilisation and day rates, as noted below:
- no work-to-win in 2022;
- a 40 percent and 25 percent reduction in options utilisation in 2022 and H1 2023 respectively;
- a 48 percent reduction in work to win utilisation in H1 2023; and
- a reduction in day-rates for an E-Class vessel assumed to have the largest day rate, by 10% commencing from November 2022, i.e. after expiry of the current secured period.

Based on the above scenario, net leverage ratio is forecast to exceed 4.0 times at 31 December 2022 for a period of 6 months and therefore PIK interest of US$ 3.9 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The net leverage ratio is also breached at HY 2023.

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due (refer Note 21 for maturity profiles) and in order to maintain liquidity. Potential mitigating actions include the following:
- Reduction in client specific capex due to no mobilisation of vessels of approximately US$ 4 million in 2022 and US$ 2.5 million in H1 2023;
- Vessels off hire for prolonged periods could be cold stacked to minimise operating costs on these vessels at the rate of US$ 35,000/month for K-Class and US$ 50,000/month for S-Class/E-Class;
- Reduction in overhead costs, particularly, bonus payments estimated at US$ 125k per month; and
- 2022 – H2 2024 voluntary payments could be deferred till H1 2025 when the bullet payment will be made as there would be less cash available to help deleverage on a voluntary basis.

Further information on the use of the going concern basis has been disclosed in the Director's report (page 76). 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. Please refer to page 4 for more details of climate change and mitigants adopted by the Group.

3 Significant accounting policies continued

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 2021 and 2020 are as follows:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2021	Proportion of Ownership Interest 2020	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 Contractor
Gulf Marine Services W.L.L. – Qatar Branch	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	Marine Contractor
GMS Global Commercial Invt LLC	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	General Investment
Gulf Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamriyah Free Zone, Sharjah	**100%**	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	King Fahad Road, Al Khobar, Eastern Province, P.O. Box 31411 Kingdom Saudi Arabia	**75%**	75%	Operator of offshore barges
Gulf Marine Services LLC	Qatar	41 Floor, Tornado Tower, West Bay, Doha, Qatar, POB 6689	**100%**	100%	Marine Contractor
Gulf Marine Services (UK) Limited	United Kingdom	c/o MacKinnon's, 14 Carden Place, Aberdeen, AB10 1UR	**100%**	100%	Operator of offshore barges
GMS Jersey Holdco. 1 Limited	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General Investment
GMS Jersey Holdco. 2 Limited	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General Investment
Offshore Holding Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Holding Company
Offshore Logistics Inv 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 Structure Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "Kikuyu"
Offshore Craft Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of Barge "GMS Endeavour"

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2021	2020	Type of Activity
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”
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

3 Significant accounting policies continued

Basis of consolidation continued

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders 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 has applied the practical expedient and recognises 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.

Performance obligation 2 – Contract demobilisation revenue
Lump-sum fees received for equipment moves (and related costs) as part of demobilisations are recognised when the demobilisation has occurred at a point in time.

Performance obligation 3 – 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 20)*.

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 2020 or 2021.

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.

3 Significant accounting policies continued

Leases continued

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

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

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

The Group as a lessor
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 and equipment

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

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

Depreciation is recognised so as to write-off the cost of property and equipment less their 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 and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised separately 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.

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 or a reversal of impairment may be required.

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

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

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

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

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.

3 Significant accounting policies continued

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$ 0.7 million (2020: US$ 0.5 million) *(Note 19)* 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. Adjusting items together with an explanation as to why management consider them appropriate to adjust are disclosed separately in Note 30. 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 profit/(loss) and adjusted diluted earnings/(loss) per share, all of which are before the impact of adjusting items and which are reconciled from operating profit/loss, profit/(loss) before taxation and diluted earnings/(loss) per share. Adjusting items include but are not limited to reversal of impairment credits/(impairment charges), restructuring costs, exceptional legal costs and non-operational finance related costs.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for 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.

3 Significant accounting policies continued

Financial assets continued

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.

ECLs 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$ 0.2 million as at 31 December 2021 (31 December 2020: 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.

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 and lease 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.

3 Significant accounting policies continued

Financial liabilities and equity instruments continued

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income ("OCI") and accumulated in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The ineffective portion relating for cash flow hedges are recognised in finance expenses in the profit or loss.

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

For 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. The amount remaining in the cashflow hedge reserve is reclassified to profit or loss as reclassification adjustments in the same period or periods during which the hedged expected future cashflows affected profit or loss. The Group reclassify amounts remaining in the cashflow hedge reserve on a time apportionments basis.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

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 and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. Embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss.

4 Key sources of estimation uncertainty and critical accounting judgements

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In applying the Group's accounting policies during the year, there are no critical judgements.

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

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are outlined below.

Impairment and reversal of previous impairment of property and equipment

Management carried out an impairment assessment of property and equipment for year ended 31 December 2021. Following this assessment management determined that the recoverable amounts of the cash generating units to which items of property and equipment were allocated, being vessels and related assets, were most sensitive to future day rates, vessel utilisation and discount rate. It is reasonably possible that changes to these assumptions within the next financial year could require a material adjustment of the carrying amount of the Group's vessels.

Whilst the Group has revised certain assumptions for certain vessels by more than 10% relative to prior year the average increase across all vessels was less than 10%. Management would not expect an assumption change of more than 10% across all vessels within the next financial year, and accordingly believes that a 10% sensitivity to day rates and utilisation is appropriate.

As at 31 December 2021, the total carrying amount of the property and equipment, drydocking expenditure, and right of use assets subject to estimation uncertainty was US$ 602.3 million (2020: US$ 706.0 million). Refer to Note 5 for further details including sensitivity analysis.

5 Property 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 2020	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 offs	–	–	(5,101)	(2,004)	(323)	(7,428)
At 31 December 2020	890,012	3,927	–	59,902	1,967	955,808
Additions	–	8,306	–	–	–	8,306
Transfers	6,859	(7,191)	–	332	–	–
At 31 December 2021	**896,871**	**5,042**	**–**	**60,234**	**1,967**	**964,114**

	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
Accumulated depreciation						
At 1 January 2020	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 37)*	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
Depreciation expense *(Note 37)*	19,492	–	–	3,244	80	22,816
Reversal of impairment	(14,959)	–	–	–	–	(14,959)
At 31 December 2021	**335,938**	**2,845**	**–**	**18,018**	**1,787**	**358,588**
Carrying amount						
At 31 December 2021	**560,933**	**2,197**	**–**	**42,216**	**180**	**605,526**
At 31 December 2020	558,607	1,082	–	45,128	260	605,077

Depreciation amounting to US$ 22.8 million (2020: US$ 25.8 million) has been charged to the profit and loss, of which US$ 22.7 million (2020: US$ 25.5 million) was allocated to cost of sales (*Note 29*). The remaining balance of the depreciation charge is included in general and administrative expenses (*Note 30*).

Vessels with a total net book value of US$ 560.9 million (2020: US$ 558.6 million), have been mortgaged as security for the loans extended by the Group's banking syndicate (*Note 21*).

5 Property and equipment continued

Impairment

In accordance with the requirements of IAS 36 – Impairment of Assets, the Group assesses at each reporting period if there is any indication an additional impairment would need to be recognised for its vessels and related assets, or if the impairment loss recognised in prior periods no longer exist or had decreased in quantum. Such indicators can be from either internal or external sources. In circumstances in which any indicators of impairment or impairment reversal are identified, the Group performs a formal impairment assessment to evaluate the carrying amounts of the Group's vessels and their related assets, by comparing against the recoverable amount to identify any impairments or reversals. The recoverable amount is the higher of the vessels and related assets' fair value less costs to sell and value in use.

During the years ended 31 December 2019 and 31 December 2020, the market capitalisation of the Group continued to be lower than the net asset value as the Group had 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 potential impairment of the Group's vessels and their related assets. As such a full impairment review of each vessel and their related assets was undertaken in both those years. Based on such review, management had recognised an impairment loss of US$ 59.1 million and US$ 87.2 million on certain of the Group's vessels during the years ended 2019 and 2020 respectively. Of the 13 vessels in existence as at 31 December 2021, impairment losses had been recognised on 9 vessels while no impairment loss had been recognised on the remaining 4 vessels. The recoverable values in both the years were measured using value in use computations. As permitted under IAS 36.105, none of the above impairment losses were allocated to the assets related to the vessels as management concluded that doing so would have reduced their carrying values to an amount below their respective recoverable values on a standalone basis.

During the year ended 31 December 2021, external factors, such as the improvement in general market conditions and the sustained increase in oil prices/related activity; and internal factors, specifically, the further increase in management's assumptions in relation to long-term day rates beyond that previously assumed in the prior year impairment assessments, suggested that there were indications that the value of assets may have increased as at 31 December 2021 leading to potential reversals of historic impairment losses. Management's view of the further improvement in the long-term market outlook was supported by a recent independent market and fleet valuation report that management obtained from a leading consultant with extensive experience of the subsea equipment support vessel markets in which the Group operates.

Additionally, management identified certain indicators of possible additional impairment, such as a higher discount rate assumption, a market capitalisation that remains below the Group's net assets, and lower actual revenues than prior year forecasts for some vessels.

As a result of the above factors and as required by IAS 36, management performed a formal impairment assessment as at 31 December 2021 for all vessels.

Management has again obtained an independent broker valuation of its vessels as at 2 February 2022 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does 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, management has again concluded that recoverable amount should be based on value in use.

The impairment review was performed for each cash-generating unit, by identifying the value in use of each vessel and associated spares fittings, capitalised dry-docking expenditure and right-of-use assets relating to operating equipment used on the fleet, based on management's projections of future utilisation, day rates and associated cash flows.

The projection of cash flows related to vessels and their related assets is complex and requires the use of a number of estimates, the primary ones being future day rates, vessel utilisation and discount rate.

In estimating the value in use, management estimated the future cash inflows and outflows to be derived from continuing use of each vessel and its related assets for the first four years based on its approved budgets and forecasts. The terminal value cash flows (i.e., those beyond the four-year period) were estimated based on terminal value mid-cycle day rates and utilisation levels calculated by looking back as far as 2014, when the market was at the top of the cycle through to current levels as the industry starts to emerge out of the bottom of the cycle, adjusted for anomalies. Such long-term forecasts also took account of the outlook for each vessel having regard to their specifications relative to expected customer requirements, as well as new information obtained from recent external publications and reports and about broader long-term trends including climate change.

The near-term assumptions used to derive future cash flows reflect contracted rates where applicable and thereafter the market recovery from the COVID-19 pandemic and current oil price environment. Though the Group also operates in the North Sea, its core market in the long term is expected to remain in the Middle East which, in turn, is expected to continue to benefit from the low production costs for oil and gas in the region, the current appetite of NOCs to increase production and the reliance the local governments have on revenues derived from oil and gas.

At the same time, as an operator of state-of-the-art Subsea Equipment Support Vessels in both the oil and gas and renewables industries (offshore wind market) with experience in multiple geographical areas, the Group's fleet offers significant operational flexibility. Any increased demand in offshore renewables in the long-term as a result of climate change concerns will present the Group future opportunities to deploy more of its fleet into this market without any major additional capital expenditure on the vessels. Hence, the Group believes that it will not face any significant impact on the demand for its vessels due to climate change implications beyond the extent reflected in management's assumptions and sensitivities.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount rate of 12.6% (2020: 10.56%) is computed on the basis of the Group's weighted average cost of capital. The cost of equity incorporated in the computation of the discount rate is based on risk-free rate, equity risk premium and industry sector average betas, and reflects specific adjustments for country risk in the countries the Group operates in, the Group's relatively small size and a Group specific risk premium reflecting any additional risk factors relevant to the Group. The cost of debt is based on the Group's actual cost of debt. The weighted average is computed based on the industry capital structure. In concurrence with external advisors, management reviewed and narrowed down the peer companies used to compute the discount rate and measured the overall impact of existing and additional risks related to the Group as described separately on pages 28 to 33 of the Strategic report, resulting in an increase of the WACC to 12.6% as noted above. Whilst this exceeded the reasonably possible sensitivity disclosed in the prior year, for the reasons disclosed in the key assumptions sensitivity section in Note 4, management still consider a 1% sensitivity on discount rate to be appropriate.

The impairment review led to the recognition of an aggregate impairment reversal of US$ 14.96 million. The key reason for the reversal is an increase in management's long-term assumptions for day rates compared to prior year. This increase is partially offset by an overall decrease in long-term utilisation assumptions and an increase in discount rate from 10.56% to 12.6%, which is computed on the basis explained in earlier paragraph.

Details of the impairment reversal by cash-generating unit, along with the associated recoverable amount reflecting its value in use, are provided below:

Cash Generating Unit (CGUs)	Vessel class	Impairment Reversal 2021 US$'000	Recoverable Amount 2021 US$'000	Impairment Amount 2020 US$'000	Recoverable Amount 2020 US$'000
Endurance	E-Class	9,013	66,289	25,472	56,605
Endeavour	E-Class	558	73,144	–	74,771
Enterprise	E-Class	536	78,007	554	77,322
Evolution	E-Class	–	83,481	–	88,012
E-Class		**10,107**	**300,921**	**26,026**	**296,710**
Shamal	S-Class	–	62,614	–	70,214
Scirocco	S-Class	–	65,140	–	71,545
Sharqi	S-Class	–	68,431	–	79,276
S-Class		**–**	**196,185**	**–**	**221,035**
Kamikaze	K-Class	244	21,193	258	19,124
Kikuyu	K-Class	910	14,735	13,401	12,050
Kawawa	K-Class	1,373	13,597	9,009	12,891
Kudeta	K-Class	409	13,967	13,722	14,230
Keloa	K-Class	1,916	13,225	24,740	12,463
Pepper	K-Class	–	58,084	–	75,518
K-Class		**4,852**	**134,801**	**61,130**	**146,276**
Total		**14,959**	**631,907**	**87,156**	**664,021**

The below table compares the long-term day rate and utilisation assumptions used to forecast future cash flows from 2026 for the remainder of each vessel's useful economic life against those secured for 2022:

Vessels class	Day rate change % on 2022 levels	Utilisation change % on 2022 levels
E-Class CGUs	48%	(10%)
S-Class CGUs	23%	(3%)
K-Class CGUs	7%	(15%)

The below table compares the long-term day rate and utilisation assumptions used to forecast future cash flows during the year ended 31 December 2021 against the Group's long-term assumptions in the impairment assessment performed as at 31 December 2020:

Vessels class	Long term day rate change % on 2020 assumptions	Long term utilisation change % on 2020 assumptions
E-Class CGUs	29%	(6%)
S-Class CGUs	2%	(4%)
K-Class CGUs	(5%)	(2%)

5 Property and equipment continued

Impairment continued

The impairment reversals recognised on the Group's K-Class fleet (excluding Pepper which was never impaired) primarily reflect a modest increase in short-term forecast day rates and utilisation for these vessels as the market begins to recover and the Group experiences increased demand. 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, if any, in day rates due to a smaller pipeline of future opportunities. These factors are reflected in the long-term forecasts of day rates and utilisation for these vessels, similar to prior year.

The impairment reversals recognised on three E-Class vessels reflect further increases primarily in long-term assumptions on day rates relative to the Group's previous forecasts, informed by the recent independent market and fleet valuation report obtained by the Group, as described above. The forecast 48% increase in rates relative to 2022 reflects improving long-term market conditions coupled with a lack of supply of vessels with the capabilities of the E-Class such as their large crane capacities and superior leg length. As these vessels are the most capable of all the vessels in the fleet it is anticipated they will be able to demand higher day rates going forward.

No impairment or reversals have been identified for the remaining five cash-generating units i.e., one K-Class vessel, one E-Class and three S-Class vessels.

Key assumption sensitivities

The Group has conducted an analysis of the sensitivity of the impairment test to reasonable possible changes in the key assumptions (long-term day rates, utilisation and pre-tax discount rates) used to determine the recoverable amount for each vessel as follows:

Day rates

	Day rates higher by 10%		Day rates lower by 10%	
	Impact (in US$ millions)	Number of vessels impacted	Impact (in US$ millions)	Number of vessels impacted
Vessels class	Impairment reversal of*		Impairment of*	
E-Class CGUs	43.9	3	(33.2)	4
S-Class CGUs	–	–	(7.9)	2
K-Class CGUs	20.6	4	(16.7)	6
Total fleet	**64.5**	**7**	**(57.8)**	**12**

* This reversal of impairment/(impairment) is calculated on carrying values before the adjustment for impairment reversals in 2021.

The total recoverable amounts of the Group's vessels as at 31 December 2021 would have been US$ 733.5 million under the increased long-term day rates sensitivity and US$ 530.3 million for the reduced day rate sensitivity.

Utilisation

	Utilisation higher by 10%		Utilisation lower by 10%	
	Impact (US$m)	Number of vessels impacted	Impact (US$m)	Number of vessels impacted
Vessels class	Impairment reversal of*		Impairment of*	
E-Class CGUs	38.8	3	(33.2)	4
S-Class CGUs	–	–	(7.9)	2
K-Class CGUs	19.9	4	(16.7)	6
Total fleet	**58.7**	**7**	**(57.8)**	**12**

* This reversal of impairment/(impairment) is calculated on carrying values before the adjustment for impairment reversals in 2021.

The total recoverable amounts of the Group's vessels as at 31 December 2021 would have been US$ 701.5 million under the increased utilisation sensitivity and US$ 530.3 million for the reduced utilisation sensitivity.

Whilst the Group has revised certain assumptions for certain vessels by more than 10% relative to prior year the average increase across all vessels was less than 10%. Management would not expect an assumption change of more than 10% across all vessels within the next financial year, and accordingly believes that a 10% sensitivity to day rates and utilisation is appropriate.

Discount rate

A further sensitivity was conducted where a 1% increase and decrease was applied to the pre-tax discount rate. As mentioned in Note 4 management reviewed and narrowed down the peer companies used to compute the discount rate following consultation with external advisors. The same companies will be used going forward as these are deemed to be more specific to GMS's capital structure and therefore management does not anticipate significant changes beyond 1% to the discount rate going forward.

	Discount rate higher by 1%		Discount rate lower by 1%	
	Impact (US$m)	Number of vessels impacted	Impact (US$m)	Number of vessels impacted
Vessels class	(Impairment)/ reversal of*		Impairment reversal of*	
E-Class CGUs	(9.1)	4	26.9	3
S-Class CGUs	(1.1)	1	–	–
K-Class CGUs	0.5	5	8.2	4
Total fleet	**(9.7)**	**10**	**35.1**	**7**

* This (impairment)/impairment reversal is calculated on carrying values before the adjustment for impairment reversals in 2021.

The total recoverable amounts of the vessels as at 31 December 2021 would have been US$ 679.6 million under the reduced discount rate sensitivity and US$ 589.7 million for the increased discount rate sensitivity.

6 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2021 US$'000	2020 US$'000
At 1 January	**10,391**	5,454
Expenditure incurred during the year	**3,911**	8,011
Amortised during the year (*Note 37*)	**(5,503)**	(3,074)
At 31 December	**8,799**	10,391

7 Right-of-use assets

	Buildings US$'000	Communications equipment US$'000	Operating equipment US$'000	Total US$'000
Cost				
At 1 January 2020	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
Additions	183	–	1,772	1,955
At 31 December 2021	2,262	251	7,560	10,073
Accumulated depreciation				
At 1 January 2020	516	7	1,712	2,235
Depreciation for the year	599	84	1,860	2,543
At 31 December 2020	1,115	91	3,572	4,778
Depreciation for the year	333	82	1,996	2,411
At 31 December 2021	1,448	173	5,568	7,189
Carrying amount				
At 31 December 2021	**814**	**78**	**1,992**	**2,884**
At 31 December 2020	964	160	2,216	3,340

7 Right-of-use assets continued

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

	2021 US$'000	2020 US$'000
Depreciation of right of use assets (*Note 37*)	**2,411**	2,543
Expense relating to short term leases or leases of low value assets (*Note 37*)	**525**	247
Lease charges included in operating income/(loss)	**2,936**	2,790
Interest on lease liabilities (*Note 36*)	**147**	182
Lease charges included in profit/(loss) before tax	**3,083**	2,972

The total cash outflow for leases amounted to US$ 3.0 million for the year ended 31 December 2021 (2020: US$ 2.3 million).

8 Taxation charge for the year

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates. The overall effective rate is the aggregate of taxes paid in jurisdictions where income is subject to tax (being principally Qatar, the United Kingdom, and Saudi Arabia), divided by the Group's profit/(loss).

	2021 US$'000	2020 US$'000
Profit/(loss) from continuing operations before tax	**32,926**	(123,019)
Tax at the UK corporation tax rate of 19%	**6,256**	(23,374)
Effect of different tax rates in overseas jurisdictions	**(3,285)**	6,484
Expense not deductible for tax purposes	**(2,842)**	16,560
Overseas taxes not based on profit	**1,482**	1,144
Increase in unrecognised deferred tax	**115**	477
Prior year tax adjustment	**(19)**	(6)
Total tax charge	**1,707**	1,285

During the year, tax on profits were 10% in Qatar (2020: 10%), 19% in the United Kingdom (2020: 19%) and 20% in Saudi Arabia (2020: 20%) applicable to the portion of profits generated inside 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 (2020: 2.5%).

The Group incurred 5% withholding taxes on revenue in Qatar (2020: 5%) and 5% on revenue in Saudi Arabia (2020: 5%). The withholding tax included in the current tax charge amounted to US$ 1.4 million (2020: US$ 1.1 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$ 20.7 million (2020: US$ 20.0 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 the 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 no deferred tax asset has been recognised in the current or prior year.

Factors affecting current and future tax charges

UK corporate tax is calculated at a statutory rate of 19% for the profit for the year. On 10 June 2021, the Finance Act 2021 was enacted which set out that the UK corporation tax rate will increase to 25% from 1 April 2023.

Deferred taxes on the balance sheet have been measured at 25% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

9 Trade and other receivables

	2021 US$'000	2020 US$'000
Trade receivables (gross of allowances)	**42,143**	24,207
Less: Allowance for estimated credit losses	**(195)**	(133)
Trade receivables	**41,948**	24,074
Accrued revenue	**1,170**	1,925
Prepayments	**3,663**	4,874
Deposits*	**406**	443
Advances to suppliers	**808**	278
Other receivables	**922**	240
At 31 December	**48,917**	31,834

* Deposits include guarantee deposits of US$ 39K (2020: US$ 95K). 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$ nil (2020: US$ 56K).

Gross trade receivables, amounting to US$ 42.1 million (2020: US$ 24.2 million), have been assigned as security against the loans extended by the Group's banking syndicate (*Note 21*).

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

Credit periods are granted on a client by client basis. 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:

	2021 US$'000	2020 US$'000
At 1 January	**133**	128
Movement of ECL provision during the year (*Note 37*)	**62**	69
Recovery of ECL provision (*Note 37*)	**–**	(64)
At 31 December	**195**	133

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$ 9.0 million (2020: US$ 3.0 million) which are past due for 30 days or more at the reporting date. The weighted average age of these past due receivables is 256 days (2020: 258 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	**32,215**	**3,183**	**2,323**	**1,175**	**672**	**2,575**	**42,143**
Less: Allowance for trade receivables	**(169)**	**(8)**	**(6)**	**(3)**	**(2)**	**(7)**	**(195)**
Net trade receivables 2021	**32,046**	**3,175**	**2,317**	**1,172**	**670**	**2,568**	**41,948**
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

Eight customers (2020: six) account for 97% (2020: 99%) of the total trade receivables balance (see revenue by segment information in *Note 29*); 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 derivatives – contract to issue warrants

In June 2020, the Group restructured the terms of its borrowings with its lenders. These terms included warrants to be issued to its lenders if GMS had not raised US$ 75.0 million of equity by no later than 31 December 2020. As this term was not expected to be met, an embedded derivative liability was recognised for the obligation to issue the warrants. At 31 December 2020, this had a value of US$ 1.4 million, which had increased to US$ 1.8 million by March 2021.

In March 2021, the Group amended the terms of its loan facility, as mentioned in Note 21, and additional time was granted to raise equity before warrants were required to be issued to its lenders. The previous obligation to issue warrants to the bank was waived, and a contingent requirement to issue warrants to banks was introduced. The amended terms required US$ 25.0 million of equity to be raised by 31 December 2021 otherwise the Group would be in default, and a further US$ 50.0 million to be raised by 31 December 2022. GMS was subsequently successful with the requirement to raise the first tranche of equity (Refer to *Note 12*).

As the new terms of the loan facility contained separate distinguishable terms with a contingent 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 simulation considers sensitivity by building models of possible results by substituting a range of values. This represents a Level 3 fair value measurement under the IFRS 13 hierarchy. The fair value of the liability as at 31 December 2021 was US$ 0.7 million (31 December 2020 US$ 1.4 million). As the derivative was due to be settled after 12 months, the balance is recognised as a non-current liability.

The Group successfully concluded a US$ 27.8 million equity raise in June 2021 which prevented an event of default on its loan facilities. Under these facilities, the Group is required to raise a further US$ 50 million of equity by the end of 2022 or issue 87.6 million warrants entitling the Group's banks to acquire 132 million shares, or 11.5% of the share capital of the Company, for a total consideration of GBP £7.9 million, or 6.0p per share. Warrant holders will have the right to exercise there warrants up to the end of the term of the loan facility being 30 June 2025.

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.

Interest Rate Swap

The Group entered into an Interest Rate Swap (IRS) on 30 June 2018 to hedge a notional amount of US$ 50.0 million. The remaining notional amount hedged under the IRS as at 31 December 2021 was US$ 30.8 million (31 December 2020: US$ 38.4 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 2021 was a liability value of US$ 1.1 million (31 December 2020: US$ 2.4 million). As cashflows of the hedging relationship were not highly probable in 2020 hedge accounting was discontinued. The net revaluation gain in the period to 31 December 2021 of US$ 0.1 million was accordingly recognised in the income statement, together with a US$ 0.1 million loss in respect of amounts recycled from the cash flow hedge reserve (*Note 36*).

The fair value measurement of the interest rate swap was determined by independent valuers with reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. They represent Level 2 fair value measurements under the IFRS 13 hierarchy.

IFRS 13 fair value hierarchy

Apart from the contract to issue warrants, the Group has no other financial instruments that are classified as Level 3 in the fair value hierarchy in the current year that are determined by reference to significant unobservable inputs. In the previous year, the contract to issue warrants was recognised at level 2 of the fair value hierarchy. There have been no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Derivative financial instruments are made up as follows:

	Interest rate swap US$'000	Cross currency interest rate swap US$'000	Embedded derivative US$'000	Total US$'000
At 1 January 2021	(2,387)	–	(1,449)	(3,836)
Loss on settlement of derivatives	1,033	–	–	1,033
Net gain on changes in fair value of interest rate swap	278	–	–	278
Derecognition of embedded derivative warrants	–	–	1,890	1,890
Initial recognition of embedded derivative	–	–	(926)	(926)
Net loss on changes in fair value of embedded derivative	–	–	(232)	(232)
As at 31 December 2021	**(1,076)**	**–**	**(717)**	**(1,793)**

	Interest rate swap US$'000	Cross currency interest rate swap US$'000	Embedded derivative US$'000	Total US$'000
At 1 January 2020	(1,737)	(3)	–	(1,740)
Gain on fair value changes of hedging instruments	–	21	–	21
Gain/(loss) on settlement of derivatives	901	(18)	–	883
Net loss on changes in fair value of interest rate swap	(1,551)	–	–	(1,551)
Initial recognition of embedded derivative	–	–	(1,386)	(1,386)
Net loss on changes in fair value of embedded derivative	–	–	(63)	(63)
As at 31 December 2020	(2,387)	–	(1,449)	(3,836)

These statements include the cost of hedging reserve and cash flow hedge reserve which are detailed further in the consolidated statement of changes in equity. These reserves are non- distributable.

11 Cash and cash equivalents

	2021 US$'000	2020 US$'000
Interest bearing		
Held in UAE banks	**639**	55
Non-interest bearing		
Held in UAE banks	**778**	1,026
Held in banks outside UAE	**6,854**	2,717
Total cash at bank and in hand	**8,271**	3,798

12 Share capital

Ordinary shares at £0.02 per share

	Number of ordinary shares (Thousands)	**Ordinary shares US$'000**
At 1 January 2020 and 1 January 2021	**350,488**	**58,057**
Placing of new shares	**665,927**	**18,505**
Capital reorganisation	**–**	**(46,445)**
As at 31 December 2021	**1,016,415**	**30,117**

Deferred shares at £0.08 per share

	Number of ordinary shares (Thousands)	**Ordinary shares US$'000**
At 1 January 2020 and 1 January 2021	**–**	**–**
Capital reorganisation	**350,488**	**46,445**
As at 31 December 2021	**350,488**	**46,445**

Prior to an equity raise on 28 June 2021, the Group underwent a capital reorganisation where all existing ordinary shares with a nominal value of 10p per share were subdivided and re-designated into 1 ordinary share with a nominal value of 2p and 1 deferred share with a nominal value of 8p each. The previously recognised share capital balance relating to the old 10p ordinary shares was allocated pro rata to the new subdivided 2p ordinary shares and 8p deferred shares.

The deferred shares have no voting rights and no right to the profits generated by the Group. On winding-up or other return of capital, the holders of deferred shares have extremely limited rights. The Group has the right but not the obligation to buy back all of the Deferred Shares for an amount not exceeding £1.00 in aggregate without obtaining the sanction of the holder or holders of the Deferred Shares. As there is no contractual obligation, management do not consider there to be a liability.

As part of the equity raise on 28 June 2021, the Company issued 665,926,795 new ordinary shares with a nominal value of 2p per share at 3p per share with the additional pence per share being recognised in the share premium account. Issue costs amounting to US$ 3.2 million (31 December 2020: US$ nil) have been deducted from the share premium account.

13 Restricted reserve

The restricted reserve of US$ 0.3 million (2020: 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.

14 Group restructuring reserve

The Group restructuring reserve arose on consolidation under the pooling of interests (merger accounting) method used for the Group restructuring. Under this method, the Group was treated as a continuation of GMS Global Commercial Investments LLC (the predecessor parent Company) and its subsidiaries. At the date the Company became the new parent Company of the Group via a share-for-share exchange, the difference between the share capital of GMS Global Commercial Investments LLC and the Company, amounting to US$ 49.7 million, was recorded in the books of Gulf Marine Services PLC as a Group restructuring reserve. This reserve is non-distributable.

15 Share based payment reserve

Share based payment reserve of US$ 3.6 million (2020: US$ 3.7 million) relates to awards granted to employees under the long-term incentive plans (*Note 27*).

16 Capital contribution

The capital contribution reserve is as follows:

	2021 US$'000	2020 US$'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.

17 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.

18 Non-controlling interests

The movement in non-controlling interests is summarised as follows:

	2021 US$'000	2020 US$'000
At 1 January	**1,694**	1,659
Share of profit for the year	**218**	35
At 31 December	**1,912**	1,694

19 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:

	2021 US$'000	2020 US$'000
At 1 January	**2,190**	2,280
Provided during the year	**678**	527
Paid during the year	**(546)**	(617)
At 31 December	**2,322**	2,190

20 Trade and other payables

	2021 US$'000	2020 US$'000
Trade payables	**8,767**	12,251
Due to a related party (*Note 23*)	**197**	188
Accrued expenses	**9,023**	8,449
Deferred revenue	**593**	357
VAT payable	**875**	943
Other payables	**–**	1,207
	19,455	23,395

The average credit period on purchases is 194 days (2020: 152 days). No interest is payable on the outstanding balances. Trade and other payables are all current liabilities.

21 Bank borrowings

Secured borrowings at amortised cost are as follows:

	2021 US$'000	2020 US$'000
Term loans	**358,026**	388,533
Working capital facility	**21,500**	21,500
	379,526	410,033

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

	2021 US$'000	2020 US$'000
Hedged bank borrowing via Interest Rate Swap*	**30,769**	38,462
Unhedged bank borrowings	**348,757**	371,571
	379,526	410,033

* This is an economic hedge and not accounted for in accordance with IFRS 9, Financial Instruments. The Group uses an IRS to hedge a portion of the Group's floating rate liability by converting LIBOR to a fixed rate. Refer to Note 26 for further details.

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

	2021 US$'000	2020 US$'000
Non-current portion		
Bank borrowings	**353,429**	379,009
Current portion		
Bank borrowings – scheduled repayments within one year	**26,097**	31,024
	379,526	410,033

As noted in the 2020 annual report, 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 banks and accrue Payment in Kind (PIK) interest.

This meant the Group was not in an event of default as at 31 December 2020. This was further extended on 27 January 2021 and 25 February 2021. As the waivers received led to revisions to the timing of payments, management assessed the fair value of the remaining cashflows.

On 31 March 2021, the Group amended the terms of its loan facility with its banking syndicate. The amended terms (see below) were significantly different compared to the original loan. Management determined that the Group's loan facility was substantially modified and accordingly the old loan facility was extinguished, and the new facility recognised.

A net gain of US$ 6.3 million (2020: US$ 1.1 million) was recognised in the profit and loss (*Note 36*) reflecting the waiver of PIK interest otherwise payable during the first quarter of 2021, the remeasurement of the debt to fair value as at the date of the substantial modification, and the impact of a change in the forecast voluntary repayment of the debt. US$ 3.2 million of costs incurred in renegotiating the new facility were expensed (2020: US$ 15.8 million).

The remeasurement of the bank borrowings was determined in accordance with generally accepted principles based on a discounted cash flow analysis, using appropriate effective interest rates.

The principal terms of the outstanding facility as at 31 December 2021 are as follows:

- The facility's main currency is US$ and is repayable with a margin at 3% up to 31 December 2022 at which point margin is based on a ratchet depending on leverage levels (2020: margin ratchet based on leverage levels) and final maturity in June 2025 (31 December 2020: June 2025).
- 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 2021 (31 December 2020: US$ 21.5 million), leaving US$ 3.5 million available for drawdown (31 December 2020: US$ 3.5 million). There was a reduction to the cash element of the working capital facility by US$ 5 million to US$ 20 million on 31st March 2022. A payment of US$ 5 million was made by the Group on the same day reducing the amount utilised to US$ 16.5 million, leaving US$ 3.5 million available for drawdown as at 31 March 2022. The working capital facility expires alongside the main debt facility in June 2025.
- The facility remains secured by mortgages over its whole fleet, with a net book value at 31 December 2021 of US$ 560.9 million (31 December 2020: US$ 558.6 million) (Note 5). Additionally, gross trade receivables, amounting to US$ 43.0 million (31 December 2020: US$ 24.2 million) have been assigned as security against the loans extended by the Group's banking syndicate (Note 9).
- The Group has also provided security against gross cash balances, being cash balances amounting to US$ 8.3 million (31 December 2020: US$ 3.8 million) (Note 11) before the restricted amounts related to visa deposits held with the Ministry of Labour in the UAE of US$ 39k (2020: US$ 95k) included in trade and other receivables (see deposits in Note 9), which have been assigned as security against the loans extended by the Group's banking syndicate.

21 Bank borrowings continued

- The amended terms contain contingent conditions such that if an equity raise of US$ 75.0 million in aggregate does not take place by 31 December 2022, PIK interest would potentially accrue, only if leverage is above 4.0x and warrants would be due to the banking syndicate, refer to Note 10 for details of the valuation of the contract to issue warrants.

The facility is subject to certain financial covenants including; Debt Service Cover; Interest Cover; and Net Leverage Ratio; which are tested bi-annually in June and December. As at 31 December 2021 the Group were required to achieve a net leverage ratio lower than 6.1x, interest cover with a minimum ratio of 1.2x and service cover with a minimum ratio of 2.5x. There are also additional covenants relating to general and administrative costs, capital expenditure and Security Cover (loan to value) which are tested annually in December. In addition, there are restrictions to payment of dividends until the net leverage ratio falls below 4.0 times. All financial covenants assigned to the Group's debt facility, described above were met as of 31 December 2021.

Management considers the carrying amount of the Group's bank borrowings approximates it's fair value as at 31 December 2021.

	Outstanding amount				
	Current US$'000	Non-current US$'000	Total US$'000	Security	Maturity
31 December 2021:					
Term loan – scheduled repayments within one year	**26,097**	**–**	**26,097**	**Secured**	**June 2025**
Term loan – scheduled repayments within more than one year	**–**	**331,929**	**331,929**	**Secured**	**June 2025**
Working capital facility – scheduled repayment more than one year	**–**	**21,500**	**21,500**	**Secured**	**June 2025**
	26,097	**353,429**	**379,526**		
31 December 2020:					
Term loan – scheduled repayments within one year	9,524	–	9,524	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
	31,024	379,009	410,033		

22 Lease liabilities

	2021 US$'000	2020 US$'000
As at 1 January	**3,311**	1,954
Recognition of new lease liability additions	**1,955**	3,239
Interest on finance leases (*Note 36*)	**147**	182
Principal elements of lease payments	**(2,342)**	(1,871)
Interest paid	**(147)**	(193)
As at 31 December	**2,924**	3,311
Maturity analysis:		
Year 1	**1,817**	1,739
Year 2	**736**	826
Year 3 – 5	**206**	746
Onwards	**165**	–
	2,924	3,311
Split between:		
Current	**1,817**	1,739
Non-current	**1,107**	1,572
	2,924	3,311

23 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 2021, there were 2.2 million shares held by Directors (31 December 2020: nil). Refer to the Governance Report on page 71.

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 76. 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.
Partner in relation to UAE Operations	
National Catering Company Limited WLL	Affiliate of a significant shareholder of the Company

The amounts outstanding to Abdulla Fouad Energy Services Company as at 31 December 2021 was US$ 0.1 million (2020: US$ 0.2 million), refer to *Note 20*.

The amounts outstanding to National Catering Company Limited WLL as at 31 December 2021 was US$ 0.1 million (2020: US$ nil) included in trade and other payables (*Note 20*).

Significant transactions with the related party during the year:

	2021 US$'000	2020 US$'000
Rentals property from Abdulla Fouad	**54**	54
Rentals of breathing equipment from Abdulla Fouad	**452**	524
Catering services for Vessel Pepper from National Catering Company Limited WLL	**289**	–

Compensation of key management personnel

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

	2021 US$'000	2020 US$'000
Short-term benefits	**915**	1,165
End of service benefits	**7**	94
Share based payment charge (LTIPs)	**–**	141
Termination payments	**–**	1,161
	922	2,561

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 2021, there were five members of key management personnel (2020: four members). During 2020, the Board was replaced; the previous Board's remuneration is included in the disclosure above for 2020. Further details of Board remuneration and the termination of key management personnel are contained in the Directors' Remuneration Report on page 69.

24 Contingent liabilities

At 31 December 2021, 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$ 11.6 million (2020: US$ 15.9 million) all of which were counter-indemnified by other subsidiaries of the Group.

25 Commitments

	2021 US$'000	2020 US$'000
Capital commitments	**6,832**	7,470

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

26 Financial instruments

Categories of financial instruments

	2021 US$'000	2020 US$'000
Financial assets:		
Current assets at amortised cost:		
Cash and cash equivalents (*Note 11*)	**8,271**	3,798
Trade receivables and other receivables (*Note 9*)*	**44,446**	26,682
Total financial assets	**52,717**	30,480

* Trade and other receivables excludes prepayments and advances to suppliers.

	2021 US$'000	2020 US$'000
Financial liabilities:		
Derivatives recorded at FVTPL:		
Interest rate swap (*Note 10*)	**1,076**	2,387
Embedded derivative (*Note 10*)	**717**	1,449
Financial liabilities recorded at amortised cost:		
Trade and other payables (*Note 20**)	**17,987**	22,095
Lease liabilities (*Note 22*)	**2,924**	3,311
Current bank borrowings – scheduled repayments within one year (*Note 21*)	**26,097**	31,024
Non-current bank borrowings – scheduled repayments more than one year (*Note 21*)	**353,429**	379,009
Total financial liabilities	**402,230**	439,275

* Trade and other payables excludes amounts of deferred revenue and VAT payable.

The following table combines information about the following;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial liabilities for which fair value was disclosed.

	2021 US$'000	2020 US$'000
Financial liabilities:		
Recognised at level 2 of the fair value hierarchy:		
Interest rate swap (*Note 10*)	**1,076**	2,387
Embedded derivative (Note 10)	**–**	1,449
Recognised at level 3 of the fair value hierarchy:		
Embedded derivative (*Note 10*)	**717**	–

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Description	Valuation technique	Significant unobservable input	Sensitivity of the fair value measurement to input
Embedded derivative	Monte-Carlo simulation technique	Equity raise or warrant issue	The valuation methodology assumes warrants are issued and vest whenever sufficient equity is not raised, and sufficient equity is assumed to be raised whenever market capitalisation exceeds US$ 75 million in a Monte Carlo simulation with 5,000 iterations for Group's future market capitalisation. As a result of this assumption, there are 2,797 iterations out of 5,000 where warrants are issued and vest, and 2,203 iterations where sufficient equity is raised.

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data.

The fair value of the Group's embedded derivative at 31 December 2021 has been arrived at on the basis of a valuation carried out at that date by a third- party expert, an independent valuer not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined using a Monte-Carlo simulation with 5,000 iterations of which 54% of iterations had warrants being issued and 46% had an equity raise taking place by 31 December 2022.

Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. There have been no transfers between Level 2 and Level 3 during the years ended 31 December 2021 and 31 December 2020.

The Group uses interest rate swap derivatives to hedge volatility 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 2020 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, a gain of US$ 0.3 million (2020: loss of US$ 1.6 million) was recognised in relation to the change in fair value of the interest rate swap in the current year (*Note 36*).

Capital risk management

The Group manages its capital to support its ability to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives, 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. The capital structure of the Group consists of net bank debt and total equity. The Group will look to delever the Company as well as maximise cash wherever possible over the coming years.

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 risk 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 cash and cash equivalents.

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$ 8.3 million (2020: US$ 3.8 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 2021, 8 companies accounted for 96% (2020: 10 companies accounted for 99%) of the outstanding trade receivables.
The credit risk on liquid funds is limited because the funds are held by banks with high credit ratings assigned by international agencies.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties failing to perform their obligations generally approximates their carrying value.

The Group considers cash and cash equivalents and trade and other receivables which are neither past due nor impaired to have a low credit risk and an internal rating of 'performing'. Performing is defined as a counterparty that has a strong financial position and which there are no past due amounts.

26 Financial instruments continued

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by seeking to maintain sufficient facilities to ensure availability of funds for forecast and actual cash flow requirements.

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the Group's financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to assist in ensuring adequate liquidity is maintained. Refer to Going Concern in *Note 3*.

The maturity profile of the assets and liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

	Interest rate	Total US$'000	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000
31 December 2021					
Non-interest bearing financial assets					
Cash and cash equivalents- non-interest bearing		**7,632**	**7,632**	**–**	**–**
Trade receivables and other receivables*		**44,446**	**41,208**	**670**	**2,568**
Interest bearing financial assets					
Cash and cash equivalents- interest bearing		**639**	**639**	**–**	**–**
		52,717	**49,479**	**670**	**2,568**
Non-interest bearing financial liabilities					
Trade and other payables**		**17,987**	**17,987**	**–**	**–**
Interest bearing financial liabilities	3.0%–3.3%				
Bank borrowings- principal		**379,526**	**6,524**	**19,573**	**353,429**
Interest on bank borrowings		**34,907**	**2,898**	**8,378**	**23,631**
Lease liabilities		**2,205**	**440**	**925**	**840**
Interest on lease liabilities		**104**	**20**	**42**	**42**
Interest rate swap		**1,076**	**–**	**–**	**1,076**
		435,805	**27,869**	**28,918**	**379,018**

	Interest rate	Total US$'000	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000
31 December 2020					
Non-interest bearing financial assets					
Cash and cash equivalents- non-interest bearing		3,743	3,743	–	–
Trade and other receivables*		26,682	24,415	3	2,264
Interest bearing financial assets				–	–
Cash and cash equivalents- interest bearing		55	55	–	–
		30,480	28,213	3	2,264
Non-interest bearing financial liabilities					
Trade and other payables**		22,095	22,095	–	–
Interest bearing financial liabilities	5.2%–7.0%				
Bank borrowings- principal		463,795	24,000	7,500	432,295
Interest on bank borrowings		77,705	5,051	15,499	57,155
Lease liabilities		3,536	527	1,340	1,669
Interest on lease liabilities		226	40	89	97
Interest rate swap		2,387	–	–	2,387
		569,744	51,713	24,428	493,603

* Trade and other receivables excludes prepayments and advances to suppliers.
** Trade and other payables excludes amounts of deferred revenue and VAT payable.

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 million (2020: US$ 50.0 million). The remaining amount of notional hedged from the IRS as at 31 December 2021 was US$ 30.8 million (2020: US$ 38.5 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 2021 was a liability value of US$ 1.1 million (2020: US$ 2.4 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.

Interest Rate Benchmark Reform

The key risks for the Group arising from the transition are:

Interest rate basis risk: There are two elements to this risk as outlined below:

- If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of IBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into and is not captured by our interest rate risk management strategy. For example, in some cases the fallback clauses in IBOR loan contracts may result in the interest rate becoming fixed for the remaining term at the last IBOR quote. The Group is working closely with all counterparties to avoid this from occurring, however if this does arise, the Group's interest rate risk management policy will apply as normal and may result in closing out or entering into new interest rate swaps to maintain the mix of floating rate and fixed rate debt.
- Interest rate risk basis may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

Liquidity risk: There are fundamental differences between IBORs and the various alternative benchmark rates which the Group will be adopting. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Accounting: If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or derecognised. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Group is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

Litigation risk: If no agreement is reached to implement the interest rate benchmark reform on existing contracts, (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Operational risk: Our current treasury management processes are being updated to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks. The Group has developed workstreams to ensure the relevant updates are made in good time and the Group has plans in place for alternative manual procedures with relevant controls to address any potential delay.

Progress towards implementation of alternative benchmark interest rates

The Group has been in ongoing discussions with its lenders in relation to transition to alternative benchmark rates. This is the case for both its bank borrowings and interest rate swap.

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 has not had any material impact on Group operations or gave exposure to transactions in Pound Sterling. Management continue to monitor changes in legislation and future policies and will develop suitable mitigants if required.

26 Financial instruments continued

Foreign currency risk management continued

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	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
US Dollars	**35,097**	19,193	**4,889**	6,239
UAE Dirhams	**87**	103	**2,092**	3,347
Saudi Riyals	**7,688**	6,719	**553**	738
Pound Sterling	**4,189**	315	**948**	1,054
Euros	**89**	23	**196**	535
Qatari Riyals	**3,264**	1,652	**86**	210
Norwegian Krone	**–**	–	**2**	126
Others	**–**	–	**1**	2
	50,414	28,005	**8,767**	12,251

At 31 December 2021, 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 profit/(loss) for the year would have been higher/lower by US$ 0.6 million (2020: higher/lower by US$ nil) mainly as a result of foreign exchange loss or gain on translation of Euro and Pound Sterling denominated balances.

27 Long term incentive plans

The Group has Long Term Incentive Plans ("LTIPs") which were granted to senior management, managers and senior offshore officers.

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. EPS ("Earnings Per Share") has been dropped as the financial metric.

In the prior years until 2018, 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 Company mainly related to the continual employment of the employee during the vesting period, and in the case of the senior management, until 2018 as noted above, achievement of EPS growth targets, were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date. 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:

	2021 000's	2020 000's
At the beginning of the year	**6,573,229**	8,768,294
Granted in the year	**–**	2,661,388
Cash settled in the year	**(1,854,298)**	–
Forfeited in the year	**(2,219,217)**	(4,856,453)
At the end of the year	**2,499,714**	6,573,229

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2021 was 0.5 years (31 December 2020: 1.0 years). The weighted average fair value of shares granted during the year ended 31 December 2021 was US$ nil (31 December 2020: US$ 0.10).

	LTIP	LTIP
Grant date	**29 May 2020**	15 November 2019
Share price	**£0.09**	£0.08
Expected volatility	**120%**	102.79%
Risk-free rate	**0.01%**	0.48%
Expected dividend yield	**0.00%**	0.00%
Vesting period	**3 years**	3 years
Award life	**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.

On 15 March 2021, the Remuneration Committee determined that awards granted on 28 March 2018 which were due to vest on 28 March 2021 would be settled in cash, not by the issue of shares as was contractually stipulated, subject to the achievement of the original performance conditions. For the purposes of IFRS 2, this represented a reclassification of these awards from equity-settled to cash-settled. In accordance with IFRS 2, at the date of reclassification a balance of US$ 0.1 million equal to the fair value of the awards at the modification date was deducted from equity. As the fair value at the modification date was lower than the cumulative equity-settled share-based payment charge at that date, no adjustment was made to profit or loss as a result of the modifications.

On 9 June 2021, the Company's Ordinary Shares of 10p each were split into Ordinary Shares of 2p each and deferred shares of 8p each. A consequence of this change will be that the share options issued in prior years will be modified to such that the recipients are granted Ordinary Shares of 2p each, not Ordinary Shares of 10p each.

This change represented a modification of the share-based payments for the purposes of IFRS 2. However, as the modification did not result in a favourable change for the employees, no adjustments to the share-based payment charge was required as a result of the change to the Company's share capital.

28 Dividends

There was no dividend declared or paid in 2021 (2020: nil). No final dividend in respect of the year ended 31 December 2021 is to be proposed at the 2022 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.

29 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.

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*.

29 Segment reporting continued

	Revenue		Segment adjusted gross profit/(loss)	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
K-Class vessels	**43,027**	40,947	**26,214**	25,349
E-Class vessels	**38,680**	29,407	**25,104**	12,676
S-Class vessels	**33,420**	32,136	**22,590**	22,210
Other vessels	**–**	2	**–**	(10)
	115,127	102,492	**73,908**	60,225
Less:				
Depreciation charged to cost of sales			**(22,738)**	(25,524)
Amortisation charged to cost of sales			**(5,503)**	(3,073)
Reversal of impairment/(impairment loss)			**14,959**	(87,156)
Gross profit/(loss)			**60,626**	(55,528)
Other general and administrative expenses			**(12,272)**	(12,632)
Finance expense			**(14,463)**	(46,740)
Foreign exchange loss, net			**(1,002)**	(993)
Other income			**28**	257
Finance income			**9**	15
Restructuring costs			**–**	(2,492)
Exceptional legal costs			**–**	(3,092)
Loss on disposal of property and equipment			**–**	(2,073)
Gain on disposal of assets held for sale			**–**	259
Profit/(loss) for the year before taxation			**32,926**	(123,019)

The total revenue from reportable segments which comprises the K-, S- and E-Class vessels was US$ 115.1 million (2020: US$ 102.5 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, four customers (2020: two) 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$ 13.4 million, US$ 16.6 million, US$ 42.0 million and US$ 18.6 million (2020: US$ 39.3 million and US$ 17.7 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.

	2021 US$'000	2020 US$'000
United Arab Emirates	**58,019**	53,363
Saudi Arabia	**21,376**	17,745
Qatar	**22,591**	19,047
Total – Middle East and North Africa	**101,986**	90,155
United Kingdom	**10,392**	5,353
Rest of Europe	**2,749**	6,984
Total – Europe	**13,141**	12,337
Worldwide Total	**115,127**	102,492

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.

	2021 US$'000	2020 US$'000
Oil and Gas	**101,986**	90,196
Renewables	**13,141**	12,296
Total	**115,127**	102,492

A reversal of impairment of US$ 15.0 million (2020: impairment of US$ 87.2 million) was recognised in respect of property and equipment (Note 5). These (reversal of impairments)/impairment charge were attributable to the following reportable segments:

	2021 US$'000	2020 US$'000
K-Class vessels	**(4,852)**	61,130
S-Class vessels	**–**	–
E-Class vessels	**(10,107)**	26,026
Other vessels	**–**	–
	(14,959)	87,156

	K-Class vessels US$'000	S-Class vessels US$'000	E-Class vessels US$'000	Other vessels US$'000	Total US$'000
2021					
Depreciation charged to cost of sales	**4,739**	**5,842**	**12,037**	**120**	**22,738**
Amortisation charged to cost of sales	**2,759**	**848**	**1,896**	**–**	**5,503**
Reversal of impairment charge	**(4,852)**	**–**	**(10,107)**	**–**	**(14,959)**
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

30 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 2021			Year ended 31 December 2020		
	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	**115,127**	**–**	**115,127**	102,492	–	102,492
Cost of sales						
– Cost of sales before depreciation, amortisation and impairment	**(41,219)**	**–**	**(41,219)**	(42,267)	–	(42,267)
– Depreciation and amortisation	**(28,241)**	**–**	**(28,241)**	(28,597)	–	(28,597)
Reversal of impairment/(impairment loss)*	**–**	**14,959**	**14,959**	–	(87,156)	(87,156)
Gross profit/(loss)	**45,667**	**14,959**	**60,626**	31,628	(87,156)	(55,528)
General and administrative						
– Amortisation of IFRS 16, *Leases*	**(2,410)**	**–**	**(2,410)**	(2,543)	–	(2,543)
– Depreciation	**(78)**	**–**	**(78)**	(313)	–	(313)
– Other administrative costs	**(9,784)**	**–**	**(9,784)**	(9,776)	–	(9,776)
Restructuring costs**	**–**	**–**	**–**	–	(2,492)	(2,492)
Exceptional legal costs***	**–**	**–**	**–**	–	(3,092)	(3,092)
Operating profit/(loss)	**33,395**	**14,959**	**48,354**	18,996	(92,740)	(73,744)
Finance income	**9**	**–**	**9**	15	–	15
Finance expense	**(12,737)**	**–**	**(12,737)**	(30,495)	–	(30,495)
Cost to acquire new bank facility****	**–**	**(3,165)**	**(3,165)**	–	(15,797)	(15,797)
Fair value adjustment on recognition of new debt facility*****	**–**	**1,439**	**1,439**	–	(448)	(448)
Other income	**28**	**–**	**28**	257	–	257
Loss on disposal of property plant and equipment	**–**	**–**	**–**	(2,073)	–	(2,073)
Gain on disposal of assets held for sale	**–**	**–**	**–**	259	–	259
Foreign exchange loss, net	**(1,002)**	**–**	**(1,002)**	(993)	–	(993)
Loss before taxation	**19,693**	**13,233**	**32,926**	(14,034)	(108,985)	(123,019)
Taxation charge	**(1,707)**	**–**	**(1,707)**	(1,285)	–	(1,285)
Profit/(loss) for the year	**17,986**	**13,233**	**31,219**	(15,319)	(108,985)	(124,304)
Profit/(loss) attributable to:						
Owners of the Company	**17,768**	**13,233**	**31,001**	(15,354)	(108,985)	(124,339)
Non-controlling interests	**218**	**–**	**218**	35	–	35
Gain/(loss) per share (basic)	**2.57**	**1.91**	**4.48**	(4.38)	(31.10)	(35.48)
Gain/(loss) per share (diluted)	**2.55**	**1.91**	**4.46**	(4.38)	(31.10)	(35.48)
Supplementary non statutory information						
Operating profit/(loss)	**33,395**	**14,959**	**48,354**	18,996	(92,740)	(73,744)
Add: Depreciation and amortisation	**30,729**	**–**	**30,729**	31,453	–	31,453
Adjusted EBITDA	**64,124**	**14,959**	**79,083**	50,449	(92,740)	(42,291)

* The reversal of impairment credit/impairment charge on certain vessels and related assets have been added back to gross profit/(loss) to arrive at adjusted gross profit for the year ended 31 December 2021 and 2020 (refer to Note 5 for further details). Management have adjusted this due to the nature of the transaction which management believe is not directly related to operations management are able to influence. 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 (refer to Note 33 for further details). Management have adjusted this due to them being one off in nature. 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 34 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 34 for further details). Management have adjusted this due to them being one off in nature. 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 34 for further details.

**** Costs incurred to arrange a new bank facility have been added back to loss before taxation to arrive at adjusted profit/(loss) for the year ended 31 December 2021 and 31 December 2020. Management have adjusted this due to both the nature of the transaction and the incidence of these transactions occurring. Costs incurred to arrange a new bank facility are not related to the profitability of the Group which management are able to influence and are typically only incurred when a refinance takes place. 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 34 for further details.

***** The fair value adjustment on recognition of the new loan has been added back to profit/(loss) before taxation to arrive at adjusted loss for the year ended 31 December 2021 and 2020. Management have adjusted this due to them being one off in nature. 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.

	Year ended 31 December 2021			Year ended 31 December 2020		
	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
Cashflow reconciliation:						
Profit/(loss) for the year	**17,986**	**13,233**	**31,219**	(15,319)	(108,985)	(124,304)
Adjustments for:						
(Reversal of impairment)/impairment loss (Note 5)*	**–**	**(14,959)**	**(14,959)**	–	87,156	87,156
Cost to acquire new bank facility**	**–**	**3,165**	**3,165**	–	15,797	15,797
Fair value adjustment on recognition of new debt facility***	**–**	**(1,439)**	**(1,439)**	–	448	448
Finance expenses	**12,737**	**–**	**12,737**	30,495	–	30,495
Other adjustments (*Note 38*)	**32,576**	**–**	**32,576**	34,343	–	34,343
Cash flow from operating activities before movement in working capital	**63,299**	**–**	**63,299**	49,519	(5,584)	43,935
Change in trade and other receivables	**(17,090)**	**–**	**(17,090)**	4,866	–	4,866
Change in trade and other payables	**(4,849)**	**–**	**(4,849)**	(1,973)	(1,797)	(3,770)
Cash generated from operations (*Note 38*)	**41,360**	**–**	**41,360**	52,412	(7,381)	45,031
Income tax paid	**(849)**	**–**	**(849)**	(763)	–	(763)
Net cash flows generated from operating activities	**40,511**	**–**	**40,511**	51,649	(7,381)	44,268
Net cash flows used in investing activities	**(11,498)**	**–**	**(11,498)**	(12,350)	–	(12,350)
Payment of issue costs on bank borrowings	**(450)**	**(3,165)**	**(3,615)**	(115)	(14,334)	(14,449)
Other cash flows used in financing activities	**(20,925)**	**–**	**(20,925)**	(22,075)	–	(22,075)
Net cash flows used in financing activities	**(21,375)**	**(3,165)**	**(24,540)**	(22,190)	(14,334)	(36,524)
Net change in cash and cash equivalents	**7,638**	**(3,165)**	**4,473**	17,109	(21,715)	(4,606)

* The reversal of impairment credit/impairment charge on certain vessels and related assets have been added back to Cash flow from operating activities before movement in working capital for the year ended 31 December 2021 and 2020 (refer to Note 5 for further details).

** Costs incurred to arrange a new bank facility have been added back to Cash flow from operating activities before movement in working capital for the year ended 31 December 2021 and 31 December 2020.

*** The fair value adjustment on recognition of the new loan has been added back to Cash flow from operating activities before movement in working capital for the year ended 31 December 2021 and 2020.

31 Earnings/(loss) per share

	2021	2020
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share being profit/(loss) for the year attributable to Owners of the Company (US$'000)	**31,001**	(124,339)
Profit/(loss) for the purpose of adjusted basic and diluted earnings/(loss) per share (US$'000) (*Note 30*)	**17,768**	(15,354)
Weighted average number of shares ('000)	**691,661**	350,488
Weighted average diluted number of shares in issue ('000)	**695,753**	350,488
Basic earnings/(loss) per share (cents)	**4.48**	(35.48)
Diluted earnings/(loss) per share (cents)	**4.46**	(35.48)
Adjusted earnings/(loss) per share (cents)	**2.57**	(4.38)
Adjusted diluted earnings/(loss) per share (cents)	**2.55**	(4.38)

Basic earnings/(loss) per share is calculated by dividing the profit/(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 earnings/(loss) per share is calculated on the same basis but uses the profit/(loss) for the purpose of basic earnings/(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 earnings/(loss) per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

31 Earnings/(loss) per share continued

Diluted earnings/(loss) per share is calculated by dividing the profit/(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, diluted earnings/(loss) per share is the same as loss per share, as the effect of share-based payment charge was anti-dilutive.

Adjusted diluted earnings/(loss) per share is calculated on the same basis but uses adjusted profit/(loss) (*Note 30*) attributable to equity holders of the Company.

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

	2021 '000s	2020 '000s
Weighted average basic number of shares in issue	**691,661**	350,488
Weighted average effect of LTIP's	**4,092**	–
Weighted average diluted number of shares in issue	**695,753**	350,488

32 Revenue

	2021 US$'000	2020 US$'000
Charter hire	**63,525**	60,797
Lease income	**38,824**	33,252
Messing and accommodation	**7,971**	5,506
Maintenance service	**2,865**	1,267
Mobilisation and demobilisation	**1,077**	1,030
Sundry income	**865**	640
	115,127	102,492
Revenue recognised – over time	**113,931**	101,683
Revenue recognised – point in time	**1,196**	809
	115,127	102,492

Included in mobilisation and demobilisation income is an amount of US$ 0.1 million (2020 US$ 0.3 million) that was included as deferred revenue at the beginning of the financial year.

Lease income:

	2021	2020
Maturity analysis:		
Year 1	**47,994**	40,529
Year 2	**21,306**	22,856
Year 3 – 5	**4,305**	21,175
Onwards	**–**	–
	73,605	84,559
Split between:		
Current	**47,994**	40,529
Non-current	**25,611**	44,030
	73,605	84,559

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

33 Restructuring costs

During 2019 and 2020, 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 related to legal advice on restructuring and Board changes. There were no such costs in the current year.

Total restructuring costs was US$ 8.8 million, of which US$ 6.3 million was incurred in 2019 and US$ 2.5 million in 2020. At 31 December 2021, the remaining provision was US$ 0.2 million (31 December 2020: US$ 0.3 million), which is expected to be fully utilised over the next 12 months.

	2021 US$'000	2020 US$'000
Staff costs	**–**	1,862
Consultancy fees	**–**	403
Business travel	**–**	82
Office/port closures	**–**	145
	–	2,492

34 Exceptional legal costs

During the year ended 31 December 2020, 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 were incurred in 2020 totalling to US$ 3.1 million, which did not repeat in the current year.

35 Finance income

	2021 US$'000	2020 US$'000
Bank and other income	**9**	15

36 Finance expense

	2021 US$'000	2020 US$'000
Interest on bank borrowings (*Note 21*)	**17,545**	27,626
Cost to acquire new bank facility*(*Note 21*)	**3,165**	15,797
Recognition of embedded derivative for contract to issue warrants (*Note 10*)	**926**	1,449
Loss on IRS reclassified to profit or loss	**278**	901
Net loss on changes in fair value of embedded derivative for contract to issue warrants	**232**	–
Interest on finance leases (*Note 7*)	**147**	182
Net gain on revision of debt facility (*Note 21*)	**(6,332)**	(1,070)
Derecognition of embedded derivative for contract to issue warrants (*Note 10*)	**(1,890)**	–
Net (gain)/loss on changes in fair value of interest rate swap (*Note 10*)	**(278)**	1,551
Other finance expenses	**670**	301
	14,463	46,740

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

37 Profit/(loss) for the year

The profit/(loss) for the year is stated after charging/(crediting):

	2021 US$'000	2020 US$'000
Total staff costs (see below)	**31,761**	28,264
Depreciation of property and equipment (*Note 5*)	**22,816**	25,837
Amortisation of dry docking expenditure (*Note 6*)	**5,503**	3,074
Depreciation of right-of-use assets (*Note 7*)	**2,411**	2,543
Foreign exchange loss, net	**1,002**	993
Auditor's remuneration (see below)	**1,141**	1,025
Expense relating to short term leases or leases of low value assets (*Note 7*)	**525**	247
Movement in ECL provision during the year (*Note 9*)	**62**	69
(Reversal of impairment)/impairment loss (*Note 5*)	**(14,959)**	87,156
Recovery of ECL provision (*Note 9*)	**–**	(64)
Loss on disposal of property plant and equipment	**–**	2,073
Gain on disposal of assets held for sale	**–**	(259)

The average number of full time equivalent employees (excluding non-executive Directors) by geographic area was:

	2021 Number	2020 Number
Middle East and Northern Africa	**499**	467
Rest of the world	**35**	29
	534	496

The total number of full time equivalent employees (including executive Directors) as at 31 December 2021 was 545 (31 December 2020: 533).

Their aggregate remuneration comprised:

	2021 US$'000	2020 US$'000
Wages and salaries	**31,039**	27,692
End of service benefit (*Note 19*)	**678**	527
Share based payment charge	**26**	7
Employment taxes	**18**	38
	31,761	28,264

The analysis of the auditor's remuneration is as follows:

	2021 US$'000	2020 US$'000
Group audit fees	**631**	784
Subsidiary audit fees	**62**	95
Total audit fees	**693**	879
Audit-related assurance services – interim review	**240**	146
Audit-related assurance services – equity raise review	**170**	–
Total fees	**1,103**	1,025

For further information on the Group's policy in respect of Auditor's remuneration see page 51 of the Report of the Audit and Risk Committee.

38 Notes to the consolidated statement of cash flows

	2021 US$'000	2020 US$'000
Operating activities		
Profit/(loss) for the year	**31,219**	(124,304)
Adjustments for:		
Depreciation of property and equipment (*Note 5*)	**22,816**	25,837
Finance expenses (*Note 36*)	**14,463**	46,740
Amortisation of dry docking expenditure (*Note 6*)	**5,503**	3,074
Depreciation of right-of-use assets (*Note 7*)	**2,411**	2,543
Income tax expense (*Note 8*)	**1,707**	1,285
Movement in ECL provision during the year (*Note 9*)	**62**	69
End of service benefits charge (*Note 19*)	**678**	527
(Reversal of impairment)/impairment loss (*Note 5*)	**(14,959)**	87,156
End of service benefits paid (*Note 19*)	**(546)**	(617)
Share-based payment charge (*Note 15*)	**(18)**	168
Interest income (*Note 35*)	**(9)**	(15)
Recovery of ECL provision (*Note 9*)	**–**	(64)
Loss on disposal of property and equipment (*Note 37*)	**–**	2,073
Gain on disposal of assets held for sale (*Note 37*)	**–**	(259)
Hedging revenue adjustment (*Note 10*)	**–**	(21)
Other income	**(28)**	(257)
Cash flow from operating activities before movement in working capital	**63,299**	43,935
(Increase)/decrease in trade and other receivables	**(17,090)**	4,866
Decrease in trade and other payables	**(4,849)**	(3,770)
Cash generated from operations	**41,360**	45,031
Taxation paid	**(849)**	(763)
Net cash generated from operating activities	**40,511**	44,268

38 Notes to the consolidated statement of cash flows continued

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$'000	Lease liabilities (Note 22) US$'000	Bank borrowings (Note 21) US$'000
At 1 January 2020	1,740	1,954	401,955
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 36*)	–	182	–
Interest on bank borrowings (*Note 36*)	–	–	27,626
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	–	–
Gain on revision of debt facility (*Note 36*)	–	–	(1,070)
Total non cash changes	2,979	3,421	26,556
At 31 December 2020	3,836	3,311	410,033
Financing cash flows			
Bank borrowings received	**–**	**–**	**2,000**
Repayment of bank borrowings	**–**	**–**	**(30,983)**
Principal elements of lease payments	**–**	**(2,342)**	**–**
Settlement of derivatives	**(1,033)**	**–**	**–**
Interest paid	**–**	**(147)**	**(12,737)**
Total financing cashflows	**(1,033)**	**(2,489)**	**(41,720)**
Non-cash changes:			
Recognition of new lease liability additions	**–**	**1,955**	**–**
Interest on leases (*Note 36*)	**–**	**147**	**–**
Interest on bank borrowings (*Note 36*)	**–**	**–**	**17,545**
Bank commitment fees (*Note 36*)	**–**	**–**	**–**
Gain on revision of debt facility (*Note 36*)	**–**	**–**	**(6,332)**
Net gain on change in fair value of IRS (*Note 10*)	**(278)**	**–**	**–**
Loss on fair value changes on the embedded derivative (*Note 10*)	**(732)**	**–**	**–**
The expensing of unamortised issue costs in relation to previous loan (*Note 36*)	**–**	**–**	**–**
Revaluation gain on revision of debt cash flows at the date of modification (*Note 36*)	**–**	**–**	**–**
Total non cash changes	**(1,010)**	**2,102**	**11,213**
At 31 December 2021	**1,793**	**2,924**	**379,526**

39 Events after the reporting period

Russia-Ukraine conflict

On 24th February 2022, Russia launched ground and air attacks on Ukraine which led to the closure of airports and land borders. This developing situation has the potential to impact Group's operations and presents a risk to the health, safety and welfare of certain GMS' employees living in Ukraine. The Group has implemented procedures to provide required support should employees be affected as well as ensure continuity across the business. In response to military action launched by Russia, western countries and other global allies imposed an unprecedented package of coordinated sanctions against Russia. The Group has minimal activity with suppliers in Russia and continues to manage its supply chain and has robust procedures in place to avoid any disruption to operations. Overall, the Group does not expect the war in Ukraine and resulting sanctions to have a significant impact on operations.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 US$'000	Restated* 2020 US$'000
Non-current assets			
Investments in subsidiaries	5	**229,806**	247,325
Other receivables	6	**43,591**	2,798
Total non-current assets		**273,397**	250,123
Current assets			
Other receivables	6	**216**	48
Cash and cash equivalents		**–**	64
Total current assets		**216**	112
Creditors: Amounts falling due within one year			
Other payables	8	**36,172**	18,173
Net current liabilities		**36,172**	18,173
Total assets less current liabilities		**237,441**	232,062
Creditors: Amounts falling due after more than one year			
Derivatives	9	**717**	1,449
Net assets		**236,724**	230,613
Equity			
Share capital – Ordinary	10	**30,117**	58,057
Share capital – Deferred	10	**46,445**	–
Share premium account	10	**99,105**	93,080
Share based payment reserve	10	**3,647**	3,739
Retained earnings		**57,410**	75,737
Total equity		**236,724**	230,613

The Company reported a loss for the financial year ended 31 December 2021 of US$ 18.3 million (2020: US$ 330.1 million).

The financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 12 May 2022. Signed on behalf of the Board of Directors

Mansour Al Alami
Executive Chairman

Lord Anthony St John of Bletso
Independent Non-executive Director

* Details of the prior period reclassification can be found in Note 13

The attached Notes 1 to 14 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital – Ordinary US$'000	Share capital – Deferred US$'000	Share premium account US$'000	Share based payment reserve US$'000	Retained earnings US$'000	Total equity US$'000
At 1 January 2020	58,057	–	93,080	3,569	405,857	560,563
Loss for the year/ Total comprehensive expense	–	–	–	–	(330,120)	(330,120)
Share based payment charge (*Note 10*)	–	–	–	170	–	170
At 31 December 2020	58,057	–	93,080	3,739	75,737	230,613
Loss for the year/ Total comprehensive expense	**–**	**–**	**–**	**–**	**(18,327)**	**(18,327)**
Share based payment credit (*Note 10*)	**–**	**–**	**–**	**(18)**	**–**	**(18)**
Capital reorganisation (*Note 10*)	**(46,445)**	**–**	**–**	**–**	**–**	**(46,445)**
Issue of share capital (*Note 10*)	**18,505**	**46,445**	**9,253**	**–**	**–**	**74,203**
Share issue costs	**–**	**–**	**(3,228)**	**–**	**–**	**(3,228)**
Cash settlement of share based payments (*Note 12*)	**–**	**–**	**–**	**(74)**	**–**	**(74)**
At 31 December 2021	**30,117**	**46,445**	**99,105**	**3,647**	**57,410**	**236,724**

The attached Notes 1 to 14 form an integral part of these financial statements.

NOTES TO COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 107 Hammersmith Road, London, United Kingdom, W14 0QH. The registered number of the Company is 08860816. The Company is the Parent Company of the Gulf Marine Services PLC Group comprising of Gulf Marine Services PLC and its underlying subsidiaries ("the Group"). The 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 Group's Directors have assessed the Group's financial position for a period through to June 2023 and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

The material uncertainty over going concern that existed and was previously disclosed as a significant judgment when the 31 December 2020 financial statements were approved on 21 May 2021 no longer exists due to the successful issuance of equity in June 2021, which removed the potential event of default on the Group's revised bank facilities, as renegotiated in March 2021.

The renegotiation of bank facilities also resulted in a 40% reduction in margin payable in 2021 and 2022, with the surplus cash generated from these savings used to accelerate repayment of the loan principal (refer to Note 21 in the Group consolidated financial statements for further details on the revised terms of the bank facility).

As a result of the above refinancing in March 2021 and subsequent equity raise in June 2021, the Directors no longer consider going concern to be a critical accounting judgment as at 31 December 2021.

The Group is exploring various contractual options available per the current bank terms to take place by the end of 2022. As disclosed in the strategic report, the two options available are the raise of US$ 50 million equity or the issuance of 87.6 million warrants giving potential rights to 132 million shares if exercised. As at 31 December 2021, the Board consider the more likely outcome will be the issuance of warrants rather than the equity raise. PIK interest will potentially accrue, only if the net leverage ratio is above 4.0 times. Based on the latest Board approved projections, the net leverage ratio is expected to be below 4.0x and therefore no PIK interest is expected.

The forecast used for Going Concern reflects management's key assumptions including those around utilisation and vessel day rates on a vessel-by-vessel basis. Specifically, these assumptions are:
- Average day rates across the fleet are assumed to be US$ 28.6k for the 18 month period to 30 June 2023;
- 90% forecast utilisation for the 18 month period to 30 June 2023;
- Strong pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

As noted above the impact of COVID-19 has also been considered in short-term forecasts approved by the Board which include 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. Management note that the impact of COVID-19 has shown significant signs of easing in H1 2021, continuing throughout 2022 and therefore this is not expected to be a long-term risk.

While the current situation regarding the war in Ukraine and Russian sanctions described on page 33 remains uncertain, the Directors believe the potential impact of the war, border closures and resulting sanctions will not have a significant impact on operations.

Brexit is not expected to have a significant effect on the Group's operations as 12 of 13 vessels are in the MENA region.

The Group is expected to continue to generate positive operating cash flows for the foreseeable future and has in place a committed working capital facility of US$ 50.0 million, of which US$ 25.0 million can be utilised to support the issuance of performance bonds and guarantees. The balance can be utilised to draw down cash. US$ 21.5 million of this facility was utilised as at 31 December 2021, leaving US$ 3.5 million available for drawdown as at 31 March 2022 (2020: US$ 3.5 million). There was a reduction to the cash element of the working capital facility by US$ 5 million to US$ 20 million on 31st March 2022. A payment of US$ 5 million was made by the Group on the same day reducing the amount utilised to US$ 16.5 million, leaving US$ 3.5 million available for drawdown. The working capital facility expires alongside the main debt facility in June 2025.

The principal borrowing facilities are subject to covenants and are measured bi-annually in June and December. Refer to Note 21 in the Group consolidated financial statements for further details.

2 Accounting policies continued

Going concern continued

The Group's forecasts, having taken into consideration reasonable risks and downsides, indicate that its revised bank facilities along with sufficient order book of contracted work (currently secured 86% of revenue for FY 2022) and a strong pipeline of near-term opportunities for additional work (a further 6% is at an advanced stages of negotiation captured in the Group's backlog) will provide sufficient liquidity for its requirements for the foreseeable future and accordingly the consolidated financial statements for the Group for the current period have been prepared on a going concern basis.

A downside case was prepared using the following assumptions:
- no work-to-win in 2022;
- a 22 percent reduction in work to win utilisation in H1 2023; and
- a reduction in day-rates for an E-Class vessel assumed to have the largest day rate, by 10% commencing from November 2022, i.e. after expiry of the current secured period.

Based on the above scenario, the Group would not be in breach of its term loan facility, however, the net leverage ratio is forecast to exceed 4.0 times as at 31 December 2022 for a period of 6 months and therefore PIK interest of US$ 3.9 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The downside case is considered to be severe but plausible and would still leave the Group with $10m of liquidity and in compliance with the covenants under the Group's banking facilities throughout the period until the end of May 2023.

In addition to the above reasonably plausible downside sensitivity, the Directors have also considered a reverse stress test, where adjusted EBITDA has been sufficiently reduced to breach the net leverage ratio as a result of a combination of reduced utilisation and day rates, as noted below:
- no work-to-win in 2022;
- a 40 percent and 25 percent reduction in options utilisation in 2022 and H1 2023 respectively;
- a 48 percent reduction in work to win utilisation in H1 2023; and
- a reduction in day-rates for an E-Class vessel assumed to have the largest day rate, by 10% commencing from November 2022, i.e. after expiry of the current secured period.

Based on the above scenario, net leverage ratio is forecast to exceed 4.0 times at 31 December 2022 for a period of 6 months and therefore PIK interest of US$ 3.9 million would accrue in the assessment period and has been included in the above forecast. Such PIK would be settled as part of the bullet payment on expiry of the Group's term loan facility in June 2025. The net leverage ratio is also breached at HY 2023.

Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due (refer Note 21 in the Group consolidated financial statements for maturity profiles) and in order to maintain liquidity. Potential mitigating actions include the following:
- Reduction in client specific capex due to no mobilisation of vessels of approximately US$ 4 million in 2022 and US$ 2.5 million in H1 2023;
- Vessels off hire for prolonged periods could be cold stacked to minimise operating costs on these vessels at the rate of US$ 35,000/month for K-Class and US$ 50,000/month for S-Class/E-Class;
- Reduction in overhead costs, particularly, bonus payments estimated at US$ 125k per month; and
- 2022 – H2 2024 voluntary payments could be deferred till H1 2025 when the bullet payment will be made as there would be less cash available to help deleverage on a voluntary basis.

Further information on the use of the going concern basis has been disclosed in the Director's report (page 76). 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. Please refer to page 4 for more details of climate change and mitigants adopted by the Group.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. These have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 (the 'Act') to not present the Company Income Statement nor the Company Statement of Comprehensive Income. The result for the Company for the year was a loss of US$ 18.3 million (2020: loss of US$ 330.1 million). The principal accounting policies are summarised below. They have all been applied consistently throughout both years.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to the presentation of a statement of profit or loss and other comprehensive income, cash flow statement, remuneration of key management personnel, and financial instrument disclosures.

Investments

Investments in subsidiaries are recognised at cost less impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position, when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss (''FVTPL'') or ''other financial liabilities''.

Other payables are classified as ''other financial liabilities''. Other financial liabilities are initially measured at the transaction price, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method, with interest expense recognised on an effective interest rate, except for short-term payables or when the recognition of interest would be immaterial.

The EIR method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative liability

The Company considers whether a contract contains a derivative liability when it becomes a party to the contract. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets

Basic financial assets including other receivables and cash and bank balances are initially measured at transaction price, plus transaction costs. Such assets are subsequently carried at amortised cost using the effective interest method.

Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Impairment of financial assets

Financial assets 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.

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.

2 Accounting policies continued

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit or loss account.

Share-based payments

The fair value of an equity instrument is determined at the grant date based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available for share awards, the fair value of the equity instruments is estimated using a valuation technique to derive an estimate of what the price of those equity instruments would have been at the relevant measurement date in an arm's length transaction between knowledgeable, willing parties. Equity-settled share-based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Company's share price at the date of grant.

The fair value measurement reflects all market based vesting conditions. Service and non-market performance conditions are taken into account in determining the number of rights that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in *Note 2*, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Company's accounting policies

Critical accounting judgements are those which management make in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Management has not made any critical judgements in applying the Company's accounting policies for the year ended 31 December 2021.

Key source of estimation uncertainty

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

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year, are outlined below.

Recoverability of investments

As noted above, the Company performs impairment reviews in respect of investments whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount. The recoverability of investments is primarily impacted by the cash flows of the vessels owned by the Group's subsidiary undertakings and cashflows related to the Group's debt facility.

The projection of cash flows related to vessels and debt facility requires the use of various estimates including future day rates, vessel utilisation levels, and discount rates, in which the estimate is most sensitive. For further details on analysis of the sensitivities of these estimates, refer to Note 5. The Company undertook a full impairment review of its investments during the year. The review led to the recognition of an aggregate impairment of US$ 17.0 million (2020:US$ 327.7 million) on the investment in subsidiaries (see Note 5). As at 31 December 2021, the Company had investments of US$ 229.8 million (2020: US$ 247.3 million).

4 Dividends

There was no interim dividend declared or paid in 2021 (2020: Nil).

No final dividend in respect of the year ended 31 December 2021 (2020: Nil at the 2021 AGM) is to be proposed at the 2021 AGM.

5 Investment in subsidiaries

	2021 US$'000	2020 US$'000
Gross investments in subsidiaries as at 01 January	**574,995**	573,546
Capital (reduction)/contribution in subsidiary in relation to derivative liability (*Note 9*)	**(523)**	1,449
Gross investments in subsidiaries as at 31 December	**574,472**	574,995
Impairments as at 01 January	**(327,670)**	–
Impairment of investments in year	**(16,996)**	(327,670)
Impairments as at 31 December	**(344,666)**	(327,670)
Carrying amount as at 31 December	**229,806**	247,325

As at 31 December 2021, the market capitalisation of the GMS Group continued to be lower than the carrying value of investments in the Company's investments in its subsidiary undertakings. Management engaged an independent expert to derive a nominal post-tax discount rate which was estimated at 12.10% (2020: 9.86%). This increase in post-tax discount rate was a further indicator 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. The net bank debt of the GMS Group was then deducted from the value in use of the investments, which was based on the combined value in use of vessels within the Group. 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 were discounted using the nominal post-tax discount rate mentioned above of 12.1% (2020: 9.86%), 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 beta, 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. A post tax discount rate was used as the cashflows to derive the value in use of investments in subsidiaries includes the impacts of tax as described above.

In concurrence with external advisors, management reviewed and narrowed down the peer companies used to compute the discount rate and measured the overall impact of existing and additional risks relating to the Company, resulting in an increase of the WACC to 12.1% as noted above.

The review led to the recognition of an aggregate impairment of US$ 17.0 million (2020: US$ 327.7 million) on the investment in subsidiaries. Although this is in contrast to the reversal of impairment recognised in the Group financial statements of US$ 15.0 million (2020: impairment of US$ 87.2 million), management believe this is reasonable based on the value in use of investments and the Group's current share price. The assessment described above takes into account complete profitability of underlying investments which also included implications of tax and debt.

The Company has conducted an analysis of the sensitivity of the impairment test to reasonably possible changes in the key assumptions (day rates, utilisation and nominal post-tax discount rates) used to determine the recoverable amount of investments. The first sensitivity modelled a 10% increase/reduction to day rates over the remaining useful economic life of vessels included in investments. A second sensitivity modelled a 10% increase/reduction to utilisation rates. A third sensitivity was modelled where a 1% increase/decrease was applied to the post-tax discount rate mentioned above. As mentioned above management reviewed and narrowed down the peer companies used to compute the discount rate following consultation with external advisors. The same companies will be used going forward as these are deemed to be more specific to GMS's capital structure and therefore management does not anticipate significant changes beyond 1% to the discount rate going forward.

The results of the first sensitivity indicated that a 10% decrease to dayrates would lead to an additional impairment charge of US$ 105.2 million. In comparison, a 10% increase to dayrates would reduce the impairment charge booked by US$ 17.0 million to US$ nil and lead to a reversal of impairment of US$ 88.2 million. The total carrying amount of investments would be US$ 124.6 million and US$ 335.0 million, respectively.

The results of the second sensitivity indicated that a 10% decrease to utilisation would lead to an additional impairment charge of US$ 105.2 million. In comparison, a 10% increase to utilisation would reduce the impairment charge booked by US$ 17.0 million to US$ nil and lead to a reversal of impairment of US$ 55.4 million. The total carrying amount of investments would be US$ 124.6 million and US$ 302.2 million, respectively.

The results of the third 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$ 17.0 million to US$ nil and a reversal of impairment of US$ 29.9 million whereas 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$ 41.3 million. The total carrying amount of investments would be US$ 276.7 million and US$ 188.5 million, respectively.

5 Investment in subsidiaries continued

The Company has investments in the following subsidiaries:

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2021	2020	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%	Dormant
Offshore Accommodation Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Dormant
Offshore Jack-up Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Kamikaze”
Offshore Craft Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “GMS Endeavour”
Offshore Structure Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Kikuyu”
Offshore Maritime Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of “Helios” – Dormant
Offshore Tugboat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of “Atlas” – Dormant
Offshore Boat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of barge “Kawawa”
Offshore Kudeta Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of barge “Kudeta”
GMS Endurance Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Owner of barge “Endurance”
Gulf Marine Services (UK) Limited	United Kingdom	14 Carden Place, Aberdeen, AB10 1UR	**100%**	100%	Operator of offshore barges
Gulf Marine Saudi Arabia Co. Limited	Saudi Arabia	King Fahad Road, Al Khobar, Eastern Province, P.O. Box 31411 Kingdom Saudi Arabia	**75%**	75%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Ltd.	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	**100%**	100%	Operator of offshore barges
GMS Enterprise Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Enterprise”
GMS Sharqi Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Sharqi”
GMS Scirocco Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Scirocco”
GMS Shamal Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Shamal”
GMS Jersey Holdco. 1 Limited*	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General investment
GMS Jersey Holdco. 2 Limited	Jersey	12 Castle Street, St. Helier, Jersey, JE2 3RT	**100%**	100%	General investment
GMS Marine Middle East FZE	United Arab Emirates	ELOB, Office No. E-16F-04, P.O. Box 53944, Hamriyah Free Zone, Sharjah	**100%**	100%	Operator of offshore barges
GMS Global Commercial Invt LLC	United Arab Emirates	Office 403, International Tower, 24th Karama Street, P.O. Box 46046, Abu Dhabi, United Arab Emirates	**100%**	100%	General investment
GMS Keloa Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Keloa”
GMS Pepper Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Pepper”
GMS Evolution Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama,Republic of Panama	**100%**	100%	Owner of barge “Evolution”
Gulf Marine Services LLC	Qatar	Qatar Financial Centre, Doha	**100%**	100%	Marine contractor
Mena Marine Limited	Singapore	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	**100%**	100%	General investment
GMS Phoenix Investment SA		Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	**100%**	100%	Dormant

* Held directly by Gulf Marine Services PLC.

6 Other receivables

	2021 US$'000	Restated 2020 US$'000
Non-current assets		
Amounts receivable from Group undertakings	**43,591**	2,798
	43,591	2,798
Current assets		
Other receivables	**216**	48
	216	48
	43,807	2,846

Amounts receivable from Group undertakings are interest-free, unsecured and have no fixed repayment terms.

7 Deferred tax asset

At the reporting date, the Company has unused tax losses of US$ 12.8 million available for offset against future profits (2020: US$ 12.1 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 (2020: US$ Nil).

8 Other payables

	2021 US$'000	Restated 2020 US$'000
Amounts falling due within one year		
Amounts owed to Group undertakings	**35,606**	17,446
Other payables	**566**	727
	36,172	18,173

Amounts owed to Group undertakings are current, interest-free, unsecured and have no fixed repayment terms.

Balances with related parties are repayable on demand. The present value of the liability is deemed to equal the undiscounted cash amount payable. No interest charge is therefore imputed on these amounts.

9 Derivative financial instruments

Derivative liability – contract to issue warrants

In June 2020, the Group restructured the terms of its borrowings with its lenders. These terms included warrants to be issued to its lenders if the Group had not raised US$ 75.0 million of equity by no later than 31 December 2020. As this term was not expected to be met, an embedded derivative liability was recognised for the obligation to issue the warrants. At 31 December 2020 these had a value of US$ 1.4 million, which had increased to US$ 1.8 million by March 2021.

In March 2021, the Group amended the terms of its loan facility, as described above, and additional time was granted to raise equity before warrants were required to be issued to its lenders. The previous obligation to issue warrants to the bank was waived, and a contingent requirement to issue warrants to banks was introduced. The amended terms required US$ 25.0 million of equity to be raised by 31 December 2021 otherwise the Group would be in default, and a further US$ 50.0 million to be raised by 31 December 2022. The Group was subsequently successful with the requirement to raise the first tranche of equity (Refer to Note 13).

As the new terms of the loan facility contained separate distinguishable terms with a contingent requirement to issue warrants to banks, management determined the debt facility to contain an embedded derivative liability. The Group was required to recognise the embedded derivative liability 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 simulation considers sensitivity by building models of possible results by substituting a range of values. The loan facility was a tri-partite agreement between the Company, a subsidiary of the Group and the Group's banking syndicate. As the embedded derivative was over the Company's equity, a derivative liability has been recorded on the Company's balance sheet with a corresponding increase in the investment in the subsidiary representing a capital contribution.

The fair value of the liability as at 31 December 2021 was US$ 0.7 million (31 December 2020 US$ 1.4 million). As the derivative is due to be settled after 12 months, the balance is recognised as a non-current liability.

9 Derivative financial instruments continued

Derivative liability – contract to issue warrants continued

The movement in the derivative financial statements is as follows:

	2021 US$'000	2020 US$'000
As at 1 January	**(1,449)**	–
Derecognition of derivative liability warrants	**1,890**	–
Initial recognition of derivative liability	**(926)**	(1,449)
Net loss on changes in fair value of derivative liabilities	**(232)**	–
As at 31 December	**(717)**	(1,449)

10 Share capital and reserves

The share capital of Gulf Marine Services PLC was as follows:

Ordinary shares at £0.02 per share

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2020 and 1 January 2021	**350,488**	**58,057**
Placing of new shares	**665,927**	**18,505**
Capital reorganisation	**–**	**(46,445)**
As at 31 December 2021	**1,016,415**	**30,117**

Deferred shares at £0.08 per share

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2020 and 1 January 2021	**–**	**–**
Capital reorganisation	**350,488**	**46,445**
As at 31 December 2021	**350,488**	**46,445**

Prior to an equity raise on 28 June 2021 the Company underwent a capital reorganisation where all existing ordinary shares with a nominal value of 10p per share were subdivided and re-designated into 1 ordinary share with a nominal value of 2p and 1 deferred share with a nominal value of 8p each. The previously recognised share capital balance relating to the old 10p ordinary shares was allocated pro rata to the new subdivided 2p ordinary shares and 8p deferred shares.

The deferred shares have no voting rights and no right to the profits generated by the Company. On winding-up or other return of capital, the holders of deferred shares have extremely limited rights. The Company has the right but not the obligation to buy back all of the Deferred Shares for an amount not exceeding £1.00 in aggregate without obtaining the sanction of the holder or holders of the Deferred Shares. As there is no contractual obligation, management do not consider there to be a liability.

As part of the equity raise on 28 June 2021, the Company issued 665,926,795 new ordinary shares with a nominal value of 2p per share at 3p per share with the additional pence per share being recognised in the share premium account. Issue costs amounting to US$ 3.2 million (31 December 2020: US$ nil) have been deducted from the share premium account.

The Company has one class of ordinary shares, which carry no right to fixed income.

The share premium account contains the premium arising on issue of equity shares, net of related costs.

The Company's share-based payment reserve of US$ 3.6 million (2020: US$ 3.7 million) relates to the cumulative charge for awards granted to employees of a subsidiary undertaking under a long-term incentive plan, details of which are provided in Note 12. The share-based payment credit during the year was US$ 0.02 million (2020: share-based payment charge of US$ 0.2 million).

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

11 Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2021 Number	2020 Number
Administration	**4**	3
	4	3

Their aggregate remuneration comprised:

	2021 US$'000	2020 US$'000
Wages and salaries	**241**	931
Employment taxes	**–**	11
	241	942

12 Long term incentive plans

The Company has Long Term Incentive Plans ("LTIPs") which were granted to senior management, managers and senior offshore officers.

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. EPS ("Earnings Per Share") has been removed as the financial metric and TSR ("Total Shareholder Return") is now the sole financial metric.

In the prior years until 2018, 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 Company mainly related to the continual employment of the employee during the vesting period, and in the case of the senior management, until 2018 as noted above, achievement of EPS growth targets, were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date. The cumulative amount recognised over the vesting period was based on the number of awards that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payment granted.

To the extent that share-based payments are granted to employees of the Company's subsidiaries without charge, the share-based payment is capitalised as part of the cost of investment in subsidiaries.

The number of share awards granted by the Company during the year is given in the table below:

	2021 000's	2020 000's
At the beginning of the year	**6,573,229**	8,768,294
Granted in the year	**–**	2,661,388
Cash settled in the year	**(1,854,298)**	–
Forfeited in the year	**(2,219,217)**	(4,856,453)
At the end of the year	**2,499,714**	6,573,229

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2021 was 0.5 years (31 December 2020: 1.0 years). The weighted average fair value of shares granted during the year ended 31 December 2021 was US$ nil (31 December 2020: US$ 0.10).

12 Long term incentive plans continued

	LTIP	LTIP
Grant date	29 May 2020	15 November 2019
Share price	£0.09	£0.08
Expected volatility	120%	103%
Risk-free rate	0.01%	0.48%
Expected dividend yield	0.00%	0.00%
Vesting period	3 years	3 years
Award life	3 years	3 years

The expected share price volatility of the Company's 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.

On 15 March 2021, the Remuneration Committee determined that awards granted on 28 March 2018 which were due to vest on 28 March 2021 would be settled in cash, not by the issue of shares as was contractually stipulated, subject to the achievement of the original performance conditions. For the purposes of FRS 102 section 26, this represented a reclassification of these awards from equity-settled to cash-settled. In accordance with FRS 102 section 26, at the date of reclassification a balance of US$ 0.1 million equal to the fair value of the awards at the modification date was deducted from equity. As the fair value at the modification date was lower than the cumulative equity-settled share-based payment charge at that date, no adjustment was made to profit or loss as a result of the modifications.

On 9 June 2021, the Company's Ordinary Shares of 10p each were split into Ordinary Shares of 2p each and deferred shares of 8p each. A consequence of this change will be that the share options issued in prior years will be modified to such that the recipients are granted Ordinary Shares of 2p each, not Ordinary Shares of 10p each.

This change represented a modification of the share-based payments for the purposes of FRS 102 section 26. However, as the modification did not result in a favourable change for the employees, no adjustments to the share-based payment charge was required as a result of the change to the Company's share capital.

13 Reclassification

In the prior year the Company recognised amounts owed to Group undertakings net of amounts receivable from Group undertakings. The Company has reclassified amounts receivable from Group undertakings from other payables to other receivables since there is no legal right of offset. Additionally, these balances were expected to be settled after 12 months from the year ended 31 December 2020 and therefore has been presented as a non-current asset in the prior year. The details of the reclassification are included in the table below:

Impact on Company statement of financial position

	As previously reported US$'000	Reclassification US$'000	As reclassified US$'000
Non-current assets			
Other receivables			
Amounts receivable from Group undertakings	–	2,798	2,798
	–	2,798	2,798
Amounts falling due within one year			
Other payables			
Amounts owed to Group undertakings	14,648	2,798	17,446
Other payables	727	–	727
	15,375	2,798	18,173

14 Events after the reporting period

Russia-Ukraine conflict

On 24 February 2022, Russia launched ground and air attacks on Ukraine which led to the closure of airports and land borders. The developing situation has the potential to impact GMS operations and presents a risk to the health, safety and welfare of certain GMS employees living in Ukraine. GMS has implemented procedures to provide required support should employees be affected, as well as to ensure continuity across the business. In response to military action launched by Russia, western countries and other global allies imposed an unprecedented package of coordinated sanctions against Russia. The Group has minimal activity with suppliers in Russia and continues to manage its supply chain and has robust procedures in place to avoid any disruption to operations. Overall, the Group does not expect the war in Ukraine, and resulting sanctions, to have a significant impact on operations.

GLOSSARY

Alternative Performance Measure (APMs) – An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

APMs are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. Adjusted results are also an important measure providing useful information as they form the basis of calculations required for the Group's covenants. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure. In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the Group.

Adjusted diluted earnings/loss per share – represents the adjusted earnings/loss attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period. The adjusted earnings/loss attributable to equity shareholders of the Company is used for the purpose of basic gain/loss per share adjusted by adding back impairment charges (deduction of reversal of impairment during the year 2021), 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 (deduction for reversal of impairment during 2021), amortisation, non-operational items and impairment charges. 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 30.

Adjusted EBITDA margin – represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

Adjusted gross profit/(loss) – represents gross profit/loss after deducting reversal of impairment/adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 30.

Adjusted net profit/(loss) – represents net profit/(loss) after adding back impairment charges and costs of renegotiating bank terms. 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 30 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.

Cost of sales excluding depreciation and amortisation – represents cost of sales excluding depreciation and amortisation. This measure provides additional information of the Group's cost for operating the vessels. A reconciliation is shown below:

	2021 US$'000	2020 US$'000
Statutory cost of sales	**69,460**	70,864
Less: depreciation and amortisation	**(28,241)**	(28,597)
	41,291	42,267

EBITDA – represents earnings before interest, tax, depreciation and amortisation, which represents operating profit after adding back depreciation and amortisation. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in Note 30.

Margin – revenue less cost of sales before depreciation, amortisation and impairment as identified in Note 30 of the consolidated financial statements.

Net bank debt – represents the total bank borrowings less cash and cash equivalents. This measure provides additional information of the Group's financial position. A reconciliation is shown below:

	2021 US$'000	2020 US$'000
Statutory bank borrowings	**379,526**	410,033
Less: cash and cash equivalents	**(8,271)**	(3,798)
	371,255	406,235

Finance leases are excluded from net bank debt to ensure consistency with definition of the Group's banking covenants.

Net cash flow before debt service – the sum of cash generated from operations and investing activities.

Net leverage ratio – the ratio of net bank debt at year end to adjusted EBITDA which is further adjusted for items including but are not limited to reversal of impairment credits/(impairment charges), restructuring costs, exceptional legal costs and non-operational finance related costs in alignment with the terms of our bank facility agreement. This has no impact for the current or prior periods. The reconciliation is shown below:

	2021 US$'000	2020 US$'000
A: Net bank debt, as identified above	**371,255**	406,235
B: Adjusted EBITDA, as disclosed in Note 30	**64,124**	50,449
Net leverage ratio **(A/B):**	**5.78**	8.1

Non-operational finance expenses – this pertains to the following items below as disclosed in Note 36, Finance expense.

	2021 US$'000	2020 US$'000
Cost to acquire new bank facility	**(3,165)**	(15,797)
Fair value adjustment on recognition of new debt facility	**1,439**	(448)
	(1,726)	(16,245)

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 performance – day to day trading performance that management are directly able to influence in the short term.

OTHER DEFINITIONS

Average day rates	we calculate the average day rates by dividing total charter hire revenue per month by total hire days per month throughout the year and then calculating a monthly average.
Backlog	represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.
Borrowing rate	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.
Day rates	rate per day charge to customers per hire of vessel as agreed in the contract.
Debt Service Cover	represents the ratio of Adjusted EBITDA to debt service.
Demobilisation	fee paid for the vessel re-delivery at the end of a contract, in which client is allowed to offload equipment and personnel.
DEPS/DLPS	diluted earnings/losses per share.
Employee retention	percentage of staff who continued to be employed during the year (excluding retirements and redundancies) taken as number of resignations during the year divided by the total number of employees as at 31 December.
EPC	engineering, procurement and construction.
ESG	environmental, social and governance.
Finance service	the aggregate of a) Net finance charges for that period; and b) All scheduled payments of principal and any other schedule payments in the nature of principal payable by the Group in that period in respect of financing: i) Excluding any amounts falling due in that period under any overdraft, working capital or revolving facility which were available for simultaneous redrawing under the terms of that facility; ii) Excluding any amount of PIK that accretes in that period; iii) Including the amount of the capital element of any amounts payable under any Finance Lease in respect of that period; and iv) Adjusted as a result of any voluntary or mandatory prepayment
GMS core fleet	consists of 13 SESVs, with an average age of ten years.
Interest Cover	represents the ratio of Adjusted EBITDA to Net finance charges.
IOC	Independent Oil Company.
KPIs	Key performance indicators.
Lost Time Injuries	any workplace injuries sustained by an employee while on the job that prevents them from being able to perform their job for a period of one or more days.
Lost Time Injury Rate (LTIR)	the lost time injury rate per 200,000 man hours which is a measure of the frequency of injuries requiring employee absence from work for a period of one or more days.
LIBOR	London Interbank Offered Rate.
Mobilisation	fee paid for the vessel readiness at the start of a contract, in which client is allowed to load equipment and personnel.
Net finance charges	represents finance charges as defined by the terms of the Group's banking facility for that period less interest income for that period.
Net leverage ratio	represents the ratio of net bank debt to Adjusted EBITDA.
NOC	National Oil Company.
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.
Restricted work day case (RWDC)	any work-related injury other than a fatality or lost work day case which results in a person being unfit for full performance of the regular job on any day after the occupational injury.
Secured backlog	represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate)) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.
Secured day rates	day rates from signed contracts firm plus options held by clients.
Secured utilisation	contracted days of firm plus option periods of charter hire from existing signed contracts.
Security Cover (loan to value)	the ratio (expressed as a percentage) of Total Net Bank Debt at that time to the Market Value of the Secured Vessels.
SESV	Self-Elevating Support Vessels.
SG&A spend	means that the selling, general and administrative expenses calculated on an accruals basis should be no more than the SG&A maximum spend for any relevant period.
Total Recordable Injury Rate (TRIR)	calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.
Underlying G&A	underlying general and administrative (G&A) expenses excluding depreciation and amortisation, restructuring costs, and exceptional 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.
Vessel operating expense	Cost of sales before depreciation, amortisation and impairment, refer to Note 30.
Warrants	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. All warrants to expire on 30 June 2025 (maturity date of the facilities).

CORPORATE INFORMATION

Corporate Brokers
Panmure Gordon
One New Change,
London EC4M 9AF

Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Legal Advisers
Shearman and Sterling LLP
9 Appold Street
London EC2A 2AP

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Public Relations Advisers
Celicourt Communications Limited
Orion House
5 Upper St Martin's Lane
London WC2H 9EA

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registered Office
Gulf Marine Services PLC
Masters House
107 Hammersmith Road
London W14 0QH

Head Office
Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsplc.com

Board of Directors

Mansour Al Alami
Executive Chairman

Hassan Heikal
Deputy Chairman, Non-Executive Director

Rashed Al Jarwan
Senior Independent Non-Executive Director

Lord Anthony St John of Bletso
Independent Non-Executive Director

Charbel El Khoury
Non-Executive Director

Jyrki Koskelo
Independent Non-Executive Director

Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsplc.com

www.gmsplc.com

OUR CLIENTS

carbon footprint
www.carbonfootprint.com
J Thomson Colour Printers Ltd
A company committed to carbon offsetting

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C023105

This publication was printed with vegetable oil-based inks by
an FSC-recognised printer that holds an ISO 14001 certification.
The outer cover of this report has been laminated with a biodegradable film.
Around 20 months after composting, an additive within the film will initiate
the process of oxidation.

Designed and produced by **emperor**
Visit us at **emperor.works**

Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsplc.com