GMS

# Gulf Marine Services PLC Annual Report 2022

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

# Our Vision
## To be the best SESV operator in the world

## 2022 Overview

**Revenue**

US$ 133.2m

(2021: US$ 115.1m)

**Utilisation**

88%

(2021: 84%)

**Adjusted EBITDA**

US$ 71.5m

(2021: US$ 64.1m)

**Underlying G&A as percentage of revenue**

10%

(2021: 11%)

**Adjusted net profit for the year**

US$ 17.6m

(2021: US$ 18.0m)

## 2022 Financial Highlights

- Revenue increased by 15.7% to US$ 133.2 million (2021: US$ 115.1 million) driven by increased utilisation mainly on E-class vessels and higher average day rates across all vessel classes.
- Increased adjusted EBITDA[1] to US$ 71.5 million (2021: US$ 64.1 million) driven by an increase in revenue. Adjusted EBITDA margin decreased to 54% (2021: 56%), which is due to the recognition of a charge for the bankruptcy of a client as well as other one-off costs and an increase in professional fees.
- Cost of sales excluding depreciation, amortisation and the reversal of impairment/impairment charge was US$ 51.2 million (2021: US$ 41.2 million) driven by increase in utilisation, the recognition of a charge for the bankruptcy of a client, as well as other one-off costs.
- General and administrative expenses increased to US$ 13.2 million (2021: US$ 12.3 million), driven by an increase in professional fees; however underlying general and administrative costs[5] as a percentage of revenue had decreased to 10% (2021: 11%).
- US$ 7.8 million net reversal of impairment compared to US$ 15.0 million in 2021.
- For a second year in a row, the Group generated profit: US$ 25.4 million in 2022 (2021: US$ 31.2 million). Adjusted net profit[2] of US$ 17.6 million (2021: US$ 18.0 million).
- Finance expenses have increased to US$ 20.1 million (2021: US$ 14.5 million) during the year. This is driven by an increase in LIBOR rates from 0.2% in 2021 to 4.7% during the year, as well as an increase in the fair value of the embedded derivatives of US$ 2.5 million (2021: US$ 0.3 million).
- Net bank debt[3] reduced to US$ 315.8 million (2021: US$ 371.3 million). Net leverage ratio[4] reduced to 4.4 times (2021: 5.8 times).

# 2022 Operational Highlights

— Average fleet utilisation increased by 4 percentage points to 88% (2021: 84%) with a notable improvement in E-Class vessels at 82% (2021: 72%). Average utilisation for K-Class vessels improved marginally to 87% (2021: 86%), whilst there was a small decrease in average utilisation for S-Class vessels to 97% (2021: 98%).
— Average day rates increased notably to US$ 27.5k (2021: US$ 25.7k) with improvements across all vessel classes, particularly for E-class and K-class vessels.
— New charters and extensions secured in the year totalled 19.4 years (2021: 9.6 years).
— Operational downtime increased to 2.2% (2021: 1.5%).

# 2023 Highlights and Outlook

— Utilisation for 2023 currently stands at 95% (84% being secured) against actual utilisation of 88% in 2022.
— Anticipate continued improvement on day rates as our vessel demand outstrips supply on the back of a strong pipeline of opportunities.
— Average secured day rates of over 6% higher than 2022 actual levels.
— Reversal of impairment recognised with a value of US$ 7.8 million indicative of continuing to improve long-term market conditions.
— Group anticipates net leverage ratio to be below 4.0 times before the end of 2023.

See Glossary.

1 Represents operating profit/(loss) after adding back depreciation, amortisation and the reversal of impairment in 2022 and 2021. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 31.
2 Represents net profit after adding back depreciation, amortisation the reversal of impairment and adjusting items in 2022 and 2021. 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 31.
3 Represents total bank borrowings less cash.
4 Represents the ratio of net bank debt to adjusted EBITDA.
5 Represents general and administrative costs excluding depreciation and amortisation expenses.

## 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 | • GHG emissions, page 11 |
| • Climate change strategy | • People and values section, page 4 |
| • Carbon emission reporting | • Carbon emission reporting, page 11 |
| • Taskforce on Climate-related Financial Disclosures (TCFD) | • TCFD, page 4 |
| **Employees** | |
| • Anti-Corruption and Bribery Policy | • Ethical practises, page 12 |
| • Social Responsibility Policy | • Ethical practises, page 12 |
| • Whistleblowing Policy | • Ethical practises, page 12, and Audit and Risk Committee report page 47 |
| • Health and safety standards | • Health and safety, page 13 |
| • Diversity and equal opportunities | • Diversity, page 11, Directors' Report, page 68 |
| • Employee engagement and welfare | • Employee engagement and welfare, page 12 |
| **Human rights** | |
| • Disability Policy | • Employees and policies, Directors' Report, page 70 |
| • Anti-Slavery Policy | • Ethical practises, page 12 |
| • Code of Conduct Policy | • Ethical practises, page 12, Risk management page 29 |
| **Principal risks and impact on business activity** | • Risk management, pages 24 to 31 |
| **Remuneration Policy** | • Remuneration Policy, page 55 |
| **Description of the business model** | • Our business model, page 16 |
| **Key Performance Indicators (KPIs)** | • KPIs, page 32 |

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

# Value Transfer to Shareholders

**Benefiting from stronger demand for our vessels at increased rates and recognising the strategic importance to lower its debt, the Group maintained its focus on de-leveraging during the year.**

## Group Performance

Revenue increased by 15.7% to US$ 133.2 million (2021: US$ 115.1 million) with an increase in utilisation of 4 percentage points to 88% (2021: 84%). There was a notable improvement in E-Class vessels utilization at 82% (2021: 72%), while both S-Class and K-Class utilization remained stable at 97% (2021: 98%) and 87% (2021: 86%) respectively. Average day rates across the fleet increased by 7% to US$ 27.5k (2021: US$ 25.7k). As these are averages for the fleet with some contracts carried over from previous years at lower rates, the actual increase for new contracts was higher than the average.

Vessel operating expenses increased by 24.3% to US$ 51.2 million (2021: $41.2 million), as a result of the increase in utilisation, and the recognition of a charge for the bankruptcy of a client, as well as other one-off costs. General and administrative expenses as a percentage of revenue decreased from 11% to 10% despite an increase of US$ 0.9 million to US$ 13.2 million, driven by an increase in professional fees.

Adjusted EBITDA was US$ 71.5 million, increasing 11.5% from the previous year (2021: US$ 64.1 million) mainly driven by improved utilisation and the increase in daily rates.

During the year there was a net reversal of previous impairment charges of US$ 7.8 million (2021: US$ 15 million), indicative of further improvement to long-term market conditions despite an increase in the weighted average cost of capital driven by a higher cost of debt.

The Group continued to be profitable for the year at US$ 25.4 million (2021: US$ 31.2 million) and an adjusted net profit of US$ 17.6 million (2021: US$ 18.0 million) as the increase in financial costs from US$ 14.5 million in 2021 to US$ 20.1 million in 2022 wiped out the gains from other operational metrics.

## Capital Structure and Liquidity

Net bank debt reduced to US$ 315.8 million (2021: US$ 371.3 million). During the year, the Group repaid US$ 51.5 million towards its debt, of which US$ 26.0 million were an obligation as per the agreement with the Lenders. This combination of reduced debt and improved adjusted EBITDA led to a reduction in the net leverage ratio from 5.8 times at the end of 2021 to 4.4 times at the end of 2022. The Group will continue its focus on reducing its leverage going forward.

As the Group didn't raise US$ 50.0 million of equity by the end of 2022, it issued, on 2 January 2023, 87.6 million warrants giving potential rights to 137 million shares if exercised, as per the terms of its agreement with the Lenders. The strike price was determined by an external Calculation Agent to be at 5.75 pence per share.

During the year, the interest rates on the loan went up from 3% at end of 2021 to 7.7% at the end of 2022 (being 3% plus LIBOR) and as LIBOR increased from 0.2% to 4.7%. Going forward, the interest rates will go up to 4.0% + LIBOR and a PIK margin of 2.5% will apply for as long as leverage remains above 4.0 times EBITDA.

## Commercial and Operations

The Group secured six new contracts in the year, worth US$ 271.0 million (2021: nine contracts worth US$ 66.0 million). The revenue recognised for these new contracts during the year was US$ 7.4 million.

The Group continued to be profitable for a second consecutive year. In 2022, the Group achieved its best year for financial performance for many years. Average utilisation, particularly for K-Class vessels, has remained at its highest level since 2016. New charters and extensions secured in the year totalled 19.4 years in aggregate. Operational downtime increased slightly to 2.2% (2021: 1.5%).

## Governance

As a board, we have continued to put emphasis on the development of effective risk management and internal control systems, including regular audits and reporting to ensure accountability and transparency. Demonstrated by over 50 meetings with investors and other stakeholders, we had open lines of communication on relevant information coupled with active listening to feedback. We conducted sessions on transparent and ethical business practices, including a code of conduct review for employees and stakeholders, and ensuring compliance with relevant regulations and laws. As an example of our continuous commitment towards environmental, social, and governance (ESG) initiatives, including sustainability practices and community engagement, we organized our annual offsite meeting in the Al Jubail Mangroves where every share-based employee present had the opportunity to plant a tree.

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.

## Removal of Material Uncertainty

The Group is again operating as a Going Concern without any material uncertainties.

| | 2022 US$m | 2021 US$m | 2020 US$m |
|---|---|---|---|
| Revenue | **133.2** | 115.1 | 102.5 |
| Gross profit/(loss) | **60.5** | 60.6 | (55.5) |
| Adjusted EBITDA[1] | **71.5** | 64.1 | 50.4 |
| Impairment reversal/(impairment) | **7.8** | 15.0 | (87.2) |
| Net profit/(loss) for the year | **25.4** | 31.2 | (124.3) |
| Adjusted net profit/(loss)[2] | **17.6** | 18.0 | (15.3) |

1 Represents operating profit/(loss) after adding back depreciation, amortisation and the reversal of impairment in 2022, 2021 and 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 31.

2 Represents net profit/(loss) after adding back depreciation, amortisation the reversal of impairment and adjusting items in 2022, 2021 and 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 31.

## Safety

The Group maintained the same loss injury of 0.1 in 2022 vs 2021 as there was only one Lost Time Injury which happened in the middle of the fourth quarter of the year with no other recordable injuries. However, because there was no other recordable injury, our Total Recordable Injury Rate (TRIR) improved from 0.2 (2021) to 0.1 (2022). These levels continue to be significantly below industry average and in both cases have since returned to zero in early 2023. We continue to look at areas of improvement in our systems and processes and engaging our employees to ensure that our offshore operations continue to be as safe as possible in line with the expectations of our customers and stakeholders.

## Taskforce on Climate-related Financial Disclosures

In 2021 we committed to complying with LR 9.8.6(8)R requirements by including climate-related financial disclosures consistent with Task Force on Climate related Financial Disclosures (TCFD) recommendations and recommended disclosures. This is a new requirement for premium listed companies on the London Stock Exchange. This 2022 TCFD report explains how GMS now complies with all eleven of the recommendations.

The TCFD recommendations focus on how companies respond to the risks and opportunities associated with climate change. Consistent with the recommendations, climate scenario analysis was used to understand the potential climate-related transition and physical risks to our operations over the short, medium, and long term. Climate change is now integrated into our enterprise risk assessment process. Risk management workshops are held at least bi-annually between myself, as Executive Chairman, and the senior management team. Full details are provided in our TCFD report on page 4.

## Outlook

We started 2023 with a backlog level not seen in many years at US$ 369m. The Group anticipates seeing continued improvements in day rates and utilisation levels in 2023, even though most of its vessels are already under contract for the remainder of the year. Secured utilisation for 2023 currently stands at 86% (equivalent in 2022: 80%).

Secured backlog stands at US$ 341.7 million as at 1 April 2023, of which US$ 258.6 million are firm (US$ 179.2 million as at 1 April 2022 of which US$ 122.2 million were firm). The average of secured day rates for 2023 are US$ 29.9k, which is over 6% higher than 2022 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 Adjusted EBITDA guidance of between US$ 75-US$ 83 million for 2023.

**Mansour Al Alami**
Executive Chairman
23 April 2023

# 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 continuously seeking methods 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 10 for further details.

In 2022, GMS measured 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 the assessment and plan going forward. The mandatory report of Greenhouse Gas Emissions is also provided below.

### Environment

#### TCFD Compliance Statement

Gulf Marine Services (GMS) plc has complied with LR 9.8.6(8)R requirements by including climate-related financial disclosures consistent with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and recommended disclosures. The current regulations require reporting on a 'comply or explain' basis. This year we have complied with all eleven of the recommendations.

#### Introduction – About TCFD

TCFD provides a framework for assessing and reporting how climate change will impact our business. Its recommendations are divided into four areas, aligned with existing business processes (governance, strategy, risk management and metrics and targets). We welcome the introduction of LR 9.8.6(8) R, which requires premium companies like GMS, to include TCFD statements in their annual reports. It provides a structure to assess and report our climate-related risks. We classified climate change as an emerging risk in 2019 and moved it to a principal risk in 2021.

As a business focused on supporting the offshore oil, gas and renewable energy sectors, we are aware of our impact on the environment and the potential risks of climate change to our operations. We believe we have a responsibility to ensure a sustainable future. GMS are constantly researching opportunities to reduce our impact on the environment. To date, this has focused on Scope 1 and 2 emissions, which are within our direct control. In 2022, we calculated our Scope 3 emissions for the first time, which are associated with our value chain. Based on this, we are proud to have set an ambitious net-zero target of 2050 and interim targets to guide our progress (refer to the Metrics & Targets section for further details).

### Governance – Integrating Climate Change Into Our Governance Processes

Climate change is an area of interest and importance for our Board, Executive Team and stakeholders. Our overall climate-related risks are assessed as low likelihood and low impact. We do not believe climate change will significantly impact demand for our vessels in the near term. This is because demand for oil and gas production in the Group's core market of the Gulf Cooperation Council (GCC) is forecasted to continue. We can mobilise more of the fleet in offshore renewables, without significant additional capital expenditure. However, we want to ensure that we are aware of future developments in the potential risks and opportunities posed by climate change. Therefore, we have designated it a principal risk.

### The Board and Its Committees

The Board has overall responsibility for ensuring that all risks are effectively managed. It discusses the risk profile at every principal meeting and formally reviews it annually. Climate change has been integrated into the regular risk assessment procedures since 2019, when climate change was classified as an emerging risk. Since 2021 (when climate change was classified as a principal risk), the Board has been presented with annual climate scenario analysis and climate-related risk assessment updates in a workshop session.

Responsibility for reviewing the effectiveness of the Group's system of internal control and procedures has been delegated to the Audit and Risk Committee. It meets throughout the year to discharge its duties, including before any Board meetings where financial documentation must be approved. Where appropriate, it receives reports from external advisors to ensure it has the required level of insight on specific business matters, including engaging a third party to assess the Group's climate-related risks. A climate risk workshop was held in September 2022 to present and discuss the risks. This two hour workshop was presented by a third party who specialised in ESG and attended by the Executive Team and relevant senior managers.

The Remuneration Committee is responsible for designing remuneration policies and practices for the Chair of the Group, executive directors, company secretary and senior executives. The remuneration plan must support the Group's long-term strategy, purpose, and values. The Committee ensures that the incentive structure does not inadvertently undermine the Group's climate-related ambitions.

### Executive Team

The Executive team consists of the Executive Chairman, Chief Financial Officer, Chief Operations Officer, Business Development Director and Chief Shared Services Officer. Together, they are responsible for identifying, managing and mitigating potential risks, including those associated with climate change and the transition to a low-carbon economy. The Executive team provides reports to the Board and the Audit and Risk Committee. It meets with the Executive Chairman at least twice a year to conduct risk management workshops.

Figure 1 below provides an overview of the delegation of responsibilities between the Board, the Audit and Risk Committee and the Executive team.

**Figure 1: Structure of risk management within GMS**

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

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

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

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

## Strategy – Ensuring Our Strategy is Resilient to Climate Change

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

## Climate Scenario Analysis

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

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

## The Scenarios

Three warming pathways were modelled using data from several established models, including CORDEX (Coordinated Regional Climate Downscaling Experiment), CLIMADA (Climate Adaptation) and IAM (Integrated Assessment Models). The pathways represent a broad range of potential futures, to ensure that all risks are considered. Ten climate indicators were modelled for each site and scenario, for example, precipitation, aridity, temperature and water stress. Outlined below are the three-warming pathways.

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

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

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

### The Time Horizons

The impacts of climate change expand beyond our traditional risk scope. Therefore, to align with our net zero strategy, we have decided to use the time horizons outlined in table 1, to assess our climate-related risks and opportunities. The long-term deadline aligns with our net-zero target and those of the UK and UAE governments.

### Table 1: Time Horizons Used for Climate Scenario Analysis

| Short-term: | Medium-term: | Long-term: |
|---|---|---|
| 2022-2025 | 2025-2035 | 2035-2050 |

### The Results

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

Our risk management process, categorises risks with an overall rating of red, amber or green. This is based on a combination of the inherent risk and the associated control rating. Across all timelines and scenarios, there are no red ratings assigned to climate-related risks in table 2. Most risks were determined to have a green rating. The number of risks rated amber increases over time. Table 2 highlights the scenario and timeline, when an Amber rating is first assigned. No physical risks were assigned an amber risk rating.

Further details on all the risks assessed and our mitigation actions are provided in our 2022 TCFD Report. We submitted our first Carbon Disclosure Project (CDP) in 2022, which provides information on our response to climate change.

### Transitional Risks

In the short term, GMS has identified three key risks to the business: increasing UK policy requirements, changing investor sentiment, and wider stakeholder concern.

As a premium listed company on the London Stock Exchange, we are subject to UK reporting regulations, including anything related to climate change and the environment. The UK government has set a target of reaching net zero by 2050 and is introducing regulations to help it achieve this. Therefore, we foresee increasing reporting obligations in the short term under the <2°C and 2-3°C scenarios. We have engaged an external consultancy, to help us manage and monitor this risk. We do not expect a substantial increase in climate-related requirements in the GCC in the short term, but we continuously monitor legislative changes to ensure compliance.

Climate change is of increasing interest to investors and wider stakeholders, particularly those outside the GCC region. This TCFD summary and our 2022 TCFD Report, provide the information these stakeholders require to assess our response to the challenges and opportunities associated with climate change. Based on even the most ambitious energy transition scenario, demand for oil and gas is expected to continue to account for over half of the energy mix by 2040 (Westwood Global Energy Group report, issued in February 2022). Additionally, all but one of our clients are based in the GCC region, which produces a considerable amount of the world's oil production. Therefore, the board considers the risk of investor and stakeholder sentiment changing within this region as relatively low (table 2) in the short term. However, we recognise the likelihood of this risk will increase in the medium to long-term, under the <2°C and 2-3°C scenarios. We will continue to monitor this risk and provide relevant disclosures. For example, this summary, our TCFD Report and CDP disclosure, to inform our stakeholders, about how we are responding to climate change.

A climate-related opportunity for GMS, is the ability to use our existing vessels to support the renewable sector. We are pleased to announce that we have signed a six-year contract for one of our vessels, on a long-term renewables project, commencing in 2023. This option provides versatility to GMS's strategy, as the Board reviews the potential impacts of the transition to a low-carbon global economy.

### Physical Risks

All the physical risks considered have been assigned a green rating, due to our existing controls. Therefore, the impact is expected to be low. Although physical impacts are expected from climate change, our offices and most vessels are in the Gulf region, which is already adapted to an extreme climate with high temperatures, low precipitation, and high-water stress. Infrastructure and workers' rights regulations have already been designed to manage this.

The climate scenario analysis suggests that more frequent sandstorms will occur, due to increased temperatures and decreased precipitation. Our vessels are prepared for sandstorms. They are equipped with specialised filtration devices that reduce the risk of sediment damaging the vessels' engines.

Decreased precipitation will exacerbate water stress in the region. Our vessels are equipped with desalination equipment, to mitigate water stress. Two vessels have been fitted with two air-to-water machines, which can produce water from the air. In 2024 we intend to install these machines in more vessels.

### Climate-related Opportunities

Responding to climate change offers two major opportunities to GMS. From an operational perspective, improving our efficiency reduces our operating costs, improves our resilience to potential new laws around energy use and carbon emissions and demonstrates our commitment to being a sustainable business. In terms of business strategy, there is the opportunity to mobilise our vessels in the renewables sector. We already have a proven track record in this area and are keen to maintain an ongoing presence in Europe to enable us to continue accepting offshore wind farm contracts.

### Engaging with Our Clients and Supply Chain

We need to engage with our clients and supply chain in the future, to manage our climate-related risks and reduce our carbon emissions. For example, we will start engaging with our suppliers on their carbon footprint, initially asking whether they already collect data on their Scope 1 and 2 emissions. This will feed into our Scope 3 emissions. In the medium term, we could consider introducing additional social and environmental screening criteria for our suppliers and, subsequently, work with our suppliers to reduce these emissions.

We must collaborate with our clients, to reduce the emissions associated with our vessels. For example, during 2022, we conducted a trial on two vessels, to determine the effectiveness of installing an atmospheric water generator (AWG). This has been implemented to reduce the number of plastic water bottles used on board. It was used for our staff, who form about 10% of the crew on our vessels. At this use level, there is not a sufficient return on investment, to justify further rollout of this technology. However, in the next financial year, we will liaise with our clients, to reduce onboard environmental impacts. We will begin engaging with our top supplier, a caterer who supplies food to our vessels, and our client in the European renewables market. These will provide a framework that can be rolled out to our other clients and suppliers. This will be key to managing our Scope 3 emissions and climate-related risks within our supply chain.

In 2023, we will start considering the risks associated with our largest suppliers. These will cover three key areas: food, fuel and vessel parts. As part of our commitment to local sourcing and due to the in-country value schemes endorsed by our major clients, our top suppliers are all located in the GCC region. They are subject to similar transitional and physical risks as the Group. As with GMS, they are already prepared to cope with extreme conditions and transitional risks are expected to be limited in the short to medium term.

Our largest supplier by spend is a caterer, with a global supply chain. Severe weather events, which are predicted to increase due to climate change, could have various impacts on this supplier, and its supply chain, including price fluctuations and supply chain disruptions. However, being part of a global corporation with a large, geographically diverse supply chain, enables us to be resilient and to minimise impacts.

Where our supplies are delivered from abroad, this is primarily delivered by air. We are assessing the feasibility of increasing the amount of product delivered by sea, as this will assist in reducing our carbon footprint and meeting our net-zero targets. We are aware of the potential impacts of climate change on both delivery methods. In the GCC region, sandstorms can cause airport disruption, and our climate modelling shows an increase in frequency in the long term. Shipping ports can be damaged or disrupted by extreme weather events (for example, storms), which climate modelling indicates may increase in severity over the long term. Increasing the proportion of deliveries by ship, would diversify our supply chain and reduce our operational costs.

## Planning for Net-zero

In 2022 we established our net-zero strategy and targets. This is an important part of mitigating our climate-related risks. It ensures that we prepare for a lower carbon economy, including potential future legislation, the transition to reduce emissions technology and responding to our investor and stakeholder concerns.

Our strategy includes actions we will implement immediately and further options requiring more research and financial modelling. During 2023, we will start factoring in carbon emissions when booking flights for business travel. For example, where multiple flights are available for a comparable price, the lower carbon option will be used, unless this requires an overnight stay, which is associated with additional carbon emissions and would negate the difference. We will research whether we can increase the number of deliveries received by ship, rather than by air. Approximately 95% of our deliveries are by air. We will assess if it is possible to reduce this to 80% in the next few years. Together, these actions could save us around 1,331 $tCO_2e$ (gross carbon emissions) per year, approx. 2% of our annual carbon footprint (Scope 1, 2 and 3).

**Table 2: Transitional Risks with an Amber Rating, with the Scenario and Timeline in Which an Amber Rating Is First Assigned.**

| Risk Category | Climate-related Risk | Scenario | Potential Likelihood and Impact | Context |
|---|---|---|---|---|
| **Short-term risks** | | | | |
| **Policy & Legal** | Increased policy and reporting requirements in the UK | <2°C | Almost certain, Moderate | GMS is listed on the London Stock Exchange and is subject to UK climate change and environmental reporting regulations. Changes to policy and reporting requirements are almost certain to occur in the short term. However, along with it's employees, most of the Group's vessels are in the GCC region (with only one of the Group's vessels currently located in Europe). Therefore, the potential operational/ financial impact of these changes would be limited to Moderate.<br><br>The Group aims to mitigate this risk, by carefully monitoring legislative developments, to minimise instances of non-compliance with all relevant laws in the UK and the GCC region. |
| **Reputation** | Changing investor sentiment | <2°C | Possible, Significant | There is an increasing concern over fossil fuel use in the UK/EU, as the demand for oil and gas is predicted to grow. As a result, new investors may become more challenging to find. However, current shareholders are heavily invested in the Group's existing strategy and business model. Therefore, the likelihood of a Significant impact is only considered Possible in the short term.<br><br>Our TCFD Report informs investors about our response to climate-related risks and opportunities. |
| Reputation | Wider stakeholder concern; reduced revenue from negative impacts on workforce management and planning (for example, employee attraction and retention) | <2°C; 2-3°C | Possible, Significant; Possible, Significant | In the short term, stakeholder concern regarding company environmental action and preparedness may increase. This could impact the Group's revenue and employee retention. This concern would be greater in a <2°C scenario, where there is great awareness, and more action is required. It would be lower in a 2-3°C scenario, where action is sporadic. However, given that the Group's workforce requirement is concentrated in its core market in the GCC, 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 be unable to attract suitably experienced/qualified employees to avoid any operational disruption.<br><br>Our TCFD Report informs stakeholders about our response to climate-related risks and opportunities. |
| **Medium-term risks** | | | | |
| **Policy & Legal** | Increased policy and reporting requirements in the GCC | <2°C; 2-3°C | Possible, Significant; Possible, 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 is 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 GCC, would result in a higher (Significant) potential impact. |

| Risk Category | Climate-related Risk | Scenario | Potential Likelihood and Impact | Context |
|---|---|---|---|---|
| **Technology** | Costs to transition to lower emissions technology | <2°C; 2-3°C | Possible, Major; Unlikely, Major | It is possible in the medium term, under a <2°C scenario, that a transition to lower emissions technology becomes a requirement which could increase the costs for GMS. The cost impact would be the same in a 2-3°C scenario, but this is considered unlikely. The likelihood of this risk will increase over time.<br><br>In the future, we will be researching the options for upgrading vessels' engines and other equipment, using lower carbon emission alternatives. |
| **Policy & Legal** | Introduction of carbon pricing and taxes | <2°C; 2-3°C | Likely, Significant; Possible, 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 could be significant. The likelihood is considered Possible for a 2-3°C scenario, and the impact could be Major, as pricing 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. |
| **Market** | Changing consumer preference, reduced demand for goods and services due to a shift in consumer preferences | <2°C | 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. However, oil & gas has always been the mainstay of our business, and in recent years, the percentage of revenue brought in from the GCC region has increased (from 75% in 2019 to 89% in 2021).<br><br>GMS has a proven track record in the renewables sector, which provides versatility in our business model. In 2022, it constituted 11% of Group revenue, and vessels are suitable for use in this sector, without major additional capital expenditure. We are pleased to have signed a six-year contract, for one of our vessels on a renewables project in Europe. The Board is therefore 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. |
| **Long-term risks** | | | | |
| **Policy & Legal** | Increased costs and/or reduced demand for products and services resulting from fines and judgments | 2-3°C | Likely, Significant | Given that the Group's core market is in the GCC region, management does not expect this to have a major impact in the short or medium term. Oil & gas has always been the mainstay of our business, and in recent years, the percentage of revenue brought in from the GCC region has increased (from 86% in 2019 to 89% in 2022).<br><br>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 the impact could be significant. The Group mitigates this risk, by closely monitoring compliance with current and future legislation, to reduce the likelihood of receiving fines for non-compliance. |
| **Market** | Additional abrupt and unexpected shifts in energy costs as a result of climate policies | <2°C | Almost certain, Minor | This is considered low risk with only minor financial impact for the Group as our clients pay for fuel costs.<br><br>However, we are always working to improve the efficiency of our vessels to meet our clients' expectations, as they expect value for money in the services received. |

## Risk Management – *Embedding Climate-related Risks Into Our Enterprise Risk Assessment Process*

The Group must be aware of business risks and opportunities, to manage them appropriately. GMS has an established enterprise risk assessment process, which climate-related risk management has been integrated. This is in response to the increasing importance placed on climate change by the public, clients, investors and employees.

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

The Executive team consolidates identified risks, into an overall heatmap for principal risks. The Audit and Risk Committee, review the risk profile at least quarterly. The Board discusses the Group's risk register at its principal meetings and formally reviews the risk profile on an annual basis.

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

**Step 1 – Identifying the Risks:**
External specialists used climate scenario analysis to assess sixteen potential transitional and physical risks to the business, over three climate warming pathways and three timelines. These were presented to the Executive team and the Board in September 2022 for their input on the potential impact on the business operations and strategy.

**Step 2 – Assessing the Risks:**
These provisional risks were presented to the Executive team and the Board. The provisional risks were presented at Group and site levels. Following our existing enterprise risk assessment process and drawing on the relevant expertise of the Executive team, 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:**
Each potential risk is appraised to determine the current mitigation measures and the most appropriate approach for managing residual risk. A provisional control effectiveness rating was assigned, 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. There were no changes to this assessment from last year's ratings. Therefore, there are currently ten risks assigned as an Amber rating in at least one scenario and timeline. Risk management workshops are held at least bi-annually between the Executive Chairman and the Executive team, where principal risks, including climate change, are assessed, and monitored for impact and likelihood. This year, we have developed our net-zero strategy which will help mitigate some of the transitional risks as outlined in Table 2. See our full TCFD report for more details.

## Metrics & Targets

While we anticipate the oil and gas sector will continue to grow over the next few decades, we still have a responsibility to reduce our environmental impact, as far as possible, while delivering sustainable business growth.

In 2022, we engaged external specialists to calculate our full Scope 3 emissions for the first time. This was conducted for 2021 and 2022 and will be recalculated annually in the future. These are the emissions associated with our value chain, including purchased goods and services, waste and business travel. Data were collected for categories 1-8, which are those applicable to GMS. Our data collection for 2022 improved, providing a more accurate representation of our impacts, including more precise data on flights taken as business travel. Overall, our Scope 3 emissions have reduced by 22.5% since 2021, which aligns with the Group's commitment to reaching net-zero Scope 3 emissions by 2035.

Our metrics currently focus on our carbon emissions. During 2022, we have developed a carbon balance sheet, which classifies emissions into Scope 1 and 2 and the 15 categories of Scope 3. This level of granularity allows us to be targeted in our approach to reducing emissions. Our net-zero targets and strategy have considered our largest emissions categories and determined how we can begin to reduce these, allowing for current limitations, particularly around vessel fuels.

We are proud to have set an ambitious target to be net zero by 2050. This requires us to reduce our $CO_2$ emissions by 90% or more from our baseline year of 2021. To track our progress, we have set the following short-term targets:

- **2025**: engage with the top 10 suppliers by spend on their carbon emissions and reporting.
- **2030**: assessing the feasibility of upgrading vessels' engines and other equipment, with lower carbon emission alternatives. This will form an important part of our long-term strategy, as it is essential to reducing our Scope 1 emissions (those associated directly with our operations, primarily vessel fuel).
- **2035**: net-zero in Scope 3 emissions from purchased goods and services, upstream transport and distribution, waste generated in operations, business travel and employee commuting.
- **2050**: net-zero in Scope 1 and Scope 3 (for emissions from capital goods and fuel-related emissions).

Reducing our Scope 1 emissions will depend on decarbonising the bunker fuel we use and upgrading vessels. Since jack-up barges have long natural lifetimes, upgrading the equipment onboard all 13 vessels will be capital-intensive and occur slowly. Therefore, a net-zero Scope 1 target of 2050 is reasonable. Given that Scope 3 Category 2 (Capital Goods) and Category 3 (Fuel-related Emissions) are dependent on upgrading the equipment onboard vessels and decarbonisation of fuel, these categories will reach net-zero in 2050, rather than the more ambitious Scope 3 target of 2035. Our Scope 2 emissions account for 0.04% of total emissions and are considered de-minimis. Therefore, Scope 2 emissions have been excluded from these net-zero targets.

## Carbon Emissions

In compliance with the UK government's Streamlined Energy and Carbon Reporting, we have included our emission figures for this financial reporting year. Understanding these emissions is vital to our net zero goal and highlights areas where we can improve. We have included our emissions from the previous reporting period to provide a year-on-year comparison.

Scope 1 emissions result from the direct combustion of gaseous and transportation fuels used by the Group during the reporting year.

Scope 2 refers to the emissions associated with purchased electricity used in our offices.

Scope 3 emissions are the indirect emissions associated with the products and services we purchase to deliver our services. Although we do not have direct control over these emissions, we are taking steps to work with our supply chain to develop an emission reduction strategy.

## Table 3: GHG Emissions ($tCO_2e$) for 2022 and 2021

| Emissions Scope | Gross Emissions ($tCO_2e$) - 2022 | Gross Emissions ($tCO_2e$) - 2021 | Percentage change in total emissions (vs previous year) |
|---|---|---|---|
| Scope 1 | 51,860 | 47,247 | ↑ 9.8% |
| Scope 2 | 28 | 31 | ↓ 9.7% |
| Scope 3 | 26,205 | 33,827 | ↓ 22.5% |
| **Total** | **78,093** | **81,105** | **↓ 3.7%** |

Our carbon emissions have been calculated in line with the GHG Protocol Corporate Value Chain (Scope 3) Reporting Standard and the 2019 UK Government environmental reporting guidance. Our full carbon balance sheet is available in our 2022 TCFD Report.

### Carbon Intensity

Our carbon intensity metric is provided as $tCO_2e$/$m revenue. Our UK carbon intensity is based on Scope 1 and 2 location-based emissions.

## Table 4: Our 2020-2022 Carbon Intensity Metrics

| Year | 2022 | 2021 | 2020 |
|---|---|---|---|
| UK Intensity (Scope 1 & 2 $tCO_2e$/$m revenue) | 0* | 34.76 | 45.60 |
| Global Intensity (Scope 1 & 2 $tCO_2e$/$m revenue) | 389.47 | 398.78 | 402.15 |
| Global Intensity (Scope 1, 2 & 3 $tCO_2e$/$m revenue) | 586.48 | 700.84 | ** |

* Due to the nature of our operations, the vessel locations can mean that there are no UK emissions in a reporting year. This was the case in 2022. The only operational buildings in the UK were closed in 2020, therefore, there are no Scope 1 or 2 emissions in the UK in 2022. Should a UK base be reopened, this will be recorded as required.

** Scope 3 emissions were calculated for the first time for our 2021 financial year and therefore a 2020 Scope 1, 2 and 3 intensity metric cannot be provided.

## 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 behave 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 Group 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 challenging targets to itself 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 Group 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.

### GMS Organisation Structure

In 2022, a new Shared Services Department was introduced which consolidated and centralised common administrative functions such as human resources, procurement, and IT to streamline processes, improve communication, and achieve greater cost savings. GMS remains committed to continuously improve the operations, and the Shared Services Department will play a pivotal role in supporting our growth and success in the years to come.

### Turnover

Employee turnover increased to 16% in 2022 versus 14% in 2021. This increase in the turnover trend was seen post-COVID and are in line with the pre-COVID levels of staff turnover.

### Diversity

The Group's workforce consists of 594 personnel recruited from 36 countries. GMS has expanded its geographical reach compared to that of 2021 with 545 employees from 34 countries. The significant experience and skills of individuals 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 13 provides details of the gender diversity and country of origin of our personnel as of 31 December 2022.

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 skills of our people. Details of our Equal Opportunities Policy can be found in the Governance section of our website.

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

### Employee Engagement and Welfare

The annual employee engagement survey was rolled out for the year 2022 for the entire GMS workforce. The survey had an 82% completion rate which is consistent with the last 2 surveys that were conducted in 2019 and 2021. The areas where employees scored as needing attention are the frequency of communication, as a Group and between departments, and lack of development and training opportunities. An HSE pulse survey was also rolled out in 2022 for our offshore crew to get insights on health and safety practices at the workplace. The results showed that more than 97% of the survey respondents felt that 'Safety is a priority at GMS'. A series of awareness communications were sent offshore to reiterate the importance of Safety and adherence to the Safety protocols.

To improve work-life balance and drive efficiencies, GMS aligned the working week in accordance with the UAE ministry announcement for 4.5 days working week. This was in addition to the Flexible Working Hours that was introduced in 2021.

GMS Annual 2022 event was hosted at Jubail Mangrove Park which is an educational, nature and leisure destination. At the event, 2 Teams, 5 onshore employees and 15 Offshore employees were recognised for their contributions in 2022 while 15 employees including onshore and offshore received Long Service Awards for completing either 10, 15, 20 or 25 years of service with GMS.

### Share Ownership

The Group has operated a long-term incentive plan since 2014. Please see pages 64 to 65 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 on page 14.

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 Group 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 2022, GMS promoted 37 employees as compared to 22 employees who were promoted in 2021.

In 2022, 23% of our onshore female employees got promoted and took expanded roles within the organisation.

### 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 the Executive team with an overall temperature of the business; and
- supports employees who speak up.

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

## People As At 31 December 2022

Total number of employees
**594**
(2021: 545)

Offshore
**539**
(2021: 490)

Onshore
**55**
(2021: 55)

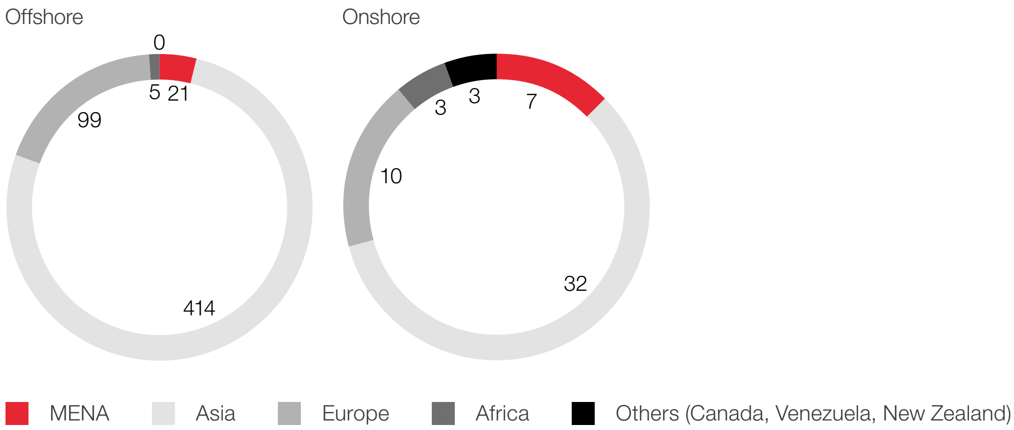
Voluntary turnover
**16%**
(2021: 14%)

Total number of Direct Reports to Senior Managers
**21**
(2021: 13)

Total number of Senior Managers
**4**
(2021: 3)

Nationalities
**36**
(2021: 34)

GMS Employees – By Region 2022




### 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 regularly assessed to ensure that mitigation procedures are implemented and communicated to all employees. All employees are made aware of the risks associated with operations through regular extensive training and employee engagement. Training programs are developed annually and reviewed periodically.

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

In 2022, the Group implemented a 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.

There was one Lost Time Injury which happened in the middle of the fourth quarter of the year with no other recordable injuries. As a result, we maintained the same Lost Time Injury rate of 0.1 since last year (2021 vs 2022). However, because there was no other recordable injury, our Total Recordable Injury Rate (TRIR) improved considerably from 0.2 (2021) to 0.1 (2022). These levels continue to be significantly below industry average and in both cases have since returned to zero in early 2023. We continue to look at areas of improvements in our systems and processes and engaging our employees to ensure that our offshore operations continue to be as safe as possible in line with the expectations of our customers and stakeholders.

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

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

| Number of work-related fatalities | Number of recordable work-related injuries | Number of high-consequence work-related injuries |
|---|---|---|
| 0 | 1 | 0 |
| (2021: 0) | (2021: 1) | (2021: 1) |

Number of hours worked

1,934,340
(2021: 1,962,081)

## Governance

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

| Measure | Weighting | Performance Range (from zero to full pay-out) |
|---|---|---|
| EBITDA | 55% | Less than US$ 68.7m – Greater than US$ 80.0m |
| EBITDA margin | 15% | Less than 50.9% – Greater than 58% |
| Securing contract % of 2023 budget revenue | 15% | Less than 60% – Greater than 75% |
| Securing contract % of 2024 budget revenue | 15% | Less than 35% – Greater than 50% |
| **Total** | **100%** | |

| | | | | | |
|---|---|---|---|---|---|
| 1 | EBITDA* | <US$ 68.7m | US$ 68.7m-US$ 74.1m | US$ 74.2m-US$ 76.9m | US$ 77.0m-US$ 80.0m |
| | **Score** | 0% | 0-20%* | 20-35%* | 35-55%* |
| 1 | EBITDA Margin* | <50.9% | 50.9%-54.2% | 54.3%-56.0% | 56.1%-58.0% |
| | **Score** | 0 | 0-5%* | 5-10%* | 10-15%* |
| 3 | Securing contracts % of 2023 budget revenue* | <60% | 60%-65% | 65.1%-70% | 70.1%-75% |
| | **Score** | 0 | 0-5%* | 5-10%* | 10-15%* |
| 4 | Securing contracts % of 2024 budget revenue* | <35% | 35%-40% | 40.1%-45% | 45.1%-50% |
| | **Score** | 0 | 0-5%* | 5-10%* | 10-15%* |

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


GMS

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 fleet of self-propelled Self-Elevating Support Vessels (SESVs).

## Our Resources

### Safety Culture

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

### A Fleet Designed to Meet Client Needs

With an average age of twelve years, the fleet of 13 SESVs are designed to meet the operating standards our clients require. This is particularly important whilst tendering for new contracts, as clients are increasingly showing a preference for vessels that significantly reduced cost and improve operational efficiencies of their projects.

### Highly Skilled Workforce

A multi-cultural workforce which has extensive experience in the global SESV sector. GMS trains people to the highest standards through the GMS Training Academy, to enable our employees to grow, develop and realize 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 Fleet of Self-propelled SESVs

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

### 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.

### Operational Excellence

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

## What we Deliver

### Shareholders

Improving revenues and adjusted EBITDA through maximising utilisation and improving daily charter rates through contract awards, reduction in operational cost base, and an improved capital structure through the de-leveraging of the Group's Balance Sheet.

### Customers

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

### People

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

### Suppliers

Long-term partnerships focusing on maximising local content.

# Generate Long-Term Shareholder Value

**Management 's key objective is to deliver value to its shareholders through de-leveraging the Group as quickly and efficiently as possible. The following strategic priorities are all focussed on achieving this key objective.**

| Strategic Priority | What it Means |
| --- | --- |
| **#1 Maximise revenue** | Maximise utilisation through best-in-class operations.<br>Explore opportunities to maximise daily charter rates in an improving market.<br>Continually enhance operating capability while offering new and improved offshore support solutions, to anticipate client needs. |
| **#2 Cost management** | Deliver safe and cost-effective operations.<br>Restrict Capital expenditure to essential only spend.<br>Sustaining cost efficiencies throughout the business. |
| **#3 Working capital management** | Improved cash management across the Group to help reduce debtor days whilst improving credit terms with our key suppliers.<br>Maximise cashflows from operations to help reduce leverage levels. |
| **#4 Controls** | To create and sustain an efficient and effective control environment.<br>Train our staff to the highest operational standards to maximise their development to deliver quality results.<br>Develop and maintain a robust internal controls manual. |

| 2022 Progress | Future Priorities |
|---|---|
| Increased utilisation to 88% (2021: 84%), which is the highest level since 2015. 84% of vessel utilisation already secured for 2023.<br>Actual average day rates increased by 7% during 2022 (2021: 2%).<br>6 new contracts and extensions awarded, with a combined charter period of 19.4 years (including options). | Focus on local content requirements demanded by our NOC clients across the Middle East to ensure we are well placed to secure new contracts.<br>Maintaining strong relationships with our core customers to win and secure contracts that add significantly to our backlog.<br>Renegotiate contractual terms, when existing contracts come to an end with the precursor to day rate improvement.<br>Continue to explore new opportunities in other markets. |
| Total Recordable Injury Rate (TRIR) improved from 0.2 (2021) to 0.1 (2022).<br>Limiting capital expenditure to maintaining the fleet to a level that ensures safe operations and meets client requirements.<br>The adjusted operating profit margin has slightly improved to 29.7% (2021: 29.0%), through cost control measures. | Ensure key safety KPIs are monitored frequently to allow safe and reliable operation of fleet.<br>Managing inflationary pressures through negotiating terms with current key suppliers.<br>Focus on maximising cash generation with a continued emphasis on reducing our leverage to below 4.0 times. |
| Reduced Leverage levels from 5.8x at the end of 2021 to 4.4x at the end of 2022, through effective working capital management as highlighted by a reduction in the Trade debtors to US$ 33.2 million (2021: US$ 41.9 million).<br>Group's effort to de-leverage by paying US$ 51.5 million towards the working capital facility and principal of the bank borrowings during the year, of which US$ 26.0 million were an obligation as per agreement with Lenders. The improved cash position was further evident as the Group was able to make payments towards the loan for the first time beyond the requirements of the loan agreement. | Focus on maximising cash generation with a continued emphasis on reducing our leverage to below 4.0 times.<br>Closely monitoring the ageing of receivables to ensure sufficient liquidity to meet our operational and banking requirements.<br>Make additional prepayments towards the bank loans to de-leverage and reduce future interest payments that may arise from an increase in LIBOR. |
| Management updated the Group procedure manual during the year implementing new robust controls. The Group also engaged Baker Tilly as internal auditors. The internal audit review will focus on the design and implementation of the new controls.<br>The Group has to comply with International Maritime Organization (IMO) regulations and during the year undertook Internal Audits Marine training in ISM, ISPS, and MLC to fulfil IMO compliance. As such all offshore staff have continued to comply with the training requirements to fulfil our accreditation. | Maintaining an internal control environment to appropriately mitigate the operating risks inherent in the sector, whilst allowing the Group to achieve its strategic objectives and deliver value to shareholders.<br>Finalise the Internal audit and implementing required controls to ensure a robust controls environment. |

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 its other stakeholders. The key matters considered by the Board include the following:

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

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.<br><br>The Remuneration Committee Chairman consults with shareholders on significant executive remuneration matters, for example, in 2021, conducted consultation on the Company's Long-Term Incentive Plan (LTIP) and in 2022 proceeded with implementation on that basis.<br><br>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.<br><br>Two of our non-executive Directors are nominated by our two largest shareholders.<br><br>Refer to the Board Report on page 44 regarding protocols to manage information shared with the Group's non-independent non-executive Directors. | Investors are interested in a broad range of matters including, share price, financial and operational performance, strategic execution, management of corporate risk and capital allocation (including bonus payments for management and returns for investors). | The Directors of GMS regularly received reports on the Group's major shareholders from the registrar. They also received reports on engagements with shareholders.<br><br>The Executive Chairman engaged with major shareholders throughout the year. The Executive Team interacted with shareholders on over 50 occasions during 2022.<br><br>The Board continued to have input to the Company's communication with its shareholders. There continued to be a regular flow of trading updates and information posted on the Company's website to provide transparency to all shareholders in the business.<br><br>The Board recommended to shareholders a Resolution which gave Board the authority to allot equity securities in the capital of the Company. This Resolution was required to satisfy certain obligations of the Company under the terms of the 2021 Master Amendment Agreement with its lenders. The Resolution was passed by a majority of nearly 100% shareholder votes received. |
| **Clients** | | |
| GMS works closely with its customers to deliver an industry-leading offering. The Board is informed of all tender activity at each Board meeting. Senior management engage regularly with clients via face-to-face meetings to ensure GMS fully understands operational performance; client service and safety are the key drivers of meetings. Through this engagement, GMS learns about, immediate, and ongoing tender requirements and future demand, and changes to strategy and/or technical or operational requirements. This informs critical business decisions associated with fleet deployment, prioritising future business development activity and resource and local content investment (HR, Procurement and Local Partnerships). It also helps with overhead sizing and allocation and capital expenditure planning, while meeting client needs. | Clients are mainly concerned with ensuring value for money in the services received. They also wish to ensure that services meet their specifications and are delivered efficiently and safely. | The Board combines strong relationships with key clients in the GCC region and a high level of industry knowledge. Engagement with clients was crucial in providing the information the Board needed to drive the Group's long-term plans, which was key to the long-term delivery of GMS' strategy.<br><br>Engagement with our clients helped the group to make informed decisions on capital expenditure, which remain limited to keeping vessels in class and equipment in good condition to meet specific client requirements.<br><br>GMS' focus over the coming years is on delivering a sustainable capital structure by de leveraging the Balance sheet. Once this is sufficiently progressed, capital allocation and resources will be reviewed assuming resources are available. The Group paid US$ 6.3 million (2021: US$ 11.5 million) on capital expenditure in 2022 emphasising the Group's effort to limit overall expenditure. Refer to the Financial Review for more details. |

| How GMS Engages with Stakeholders | Stakeholder Objectives | How Did Engagement Support Board Decision Making? |
|---|---|---|
| **Lenders** | | |
| During 2020, 2021, and 2022 there was extensive interaction between GMS and its lenders and respective teams, resulting in the borrowings being restructured in March 2021 and warrants being issued to the lenders in January 2023. | Lenders are primarily concerned with ensuring that the capital value of their loans are protected, and that interest is paid. They also wish to ensure that other material provisions of the lending agreements are complied with. | The 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 Group's lenders that both existing and new shareholders supported the Group's long-term goals.<br><br>The increase in adjusted EBITDA and with the Group paying US$ 51.5 million towards the working capital facility and principal of the bank borrowing during the year, both resulted in a significant reduction in leverage to 4.4 times (2021: 5.8 times).<br><br>The banks received the warrants due to be issued to them in January 2023 as per the terms of its agreement with the Lenders.<br><br>Refer to the Financial Review on pages 34 to 35 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.<br><br>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.<br><br>GMS works to maximise in-country spending, which is a requirement from NOC clients. | The Board tasked senior management with identifying cost savings initiatives and maximising in-country value. Renegotiate the terms of major supply contracts to improve efficiency and reduce costs. |
| **People** | | |
| The quality of the workforce is crucial to the success of GMS. 2022 saw regular communication to both on and offshore staff via weekly email updates and video communication from the Executive Chairman to all offshore staff.<br><br>All non-executive Directors have visited our offices in Abu Dhabi and engaged with staff during their visit.<br><br>Rashed Al Jarwan is our dedicated Workforce Engagement Director. GMS organized our annual offsite meeting in the Al Jubail Mangroves where every employee present had the opportunity to plant a tree. | 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.<br><br>Refer to page 12 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. For consideration of the environment, please refer to pages 4 to 11 of the Annual Report. GMS is committed to responsible environmental policies and is compliant with the globally recognised ISO 14001 (Environment) standard.

## Markets

### Introduction

The GCC region continues to experience offshore production growth, leading to significant investment from major NOCs, in both greenfield and brownfield developments. GMS benefits from the existing platform base that drives significant demand for services, such as maintenance and well services, in addition to the EPC services required for new platform installations. The increased demand for the services we provide was further highlighted by the improvement in vessel utilisation, which increased to 88% (2021: 84%).

The offshore wind industry in Europe is also expected to continue its growth trend, driven by increased demand for renewable energy, leading to substantial investment from major energy companies. There has been significant growth in installed capacity, with a significant number of new projects coming online. As installed capacity continues to increase the number of SESV's required to carry out maintenance will also increase.

### GCC Region

The Oil and Gas industry saw a surge in capital expenditure commitments by major NOCs within the GCC during 2022, resulting in the reactivation of many brownfield and greenfield projects that had been delayed for a long time. As a result, multiple multiyear tenders were issued by NOCs in the region, leading to a tightening of supply and an increase in day rates for SESV's.

In 2022, the GCC region revenue contributed 89% of the total Group revenue, which is the same proportion as the previous year. During the year, the Group secured six new contracts with a total duration of 19.4 years, when including options. The GCC region saw an increase in vessel utilization from 84% to 88%, primarily driven by the rise in demand for E-Class vessels.

Vessel mobilizations reduced compared to the prior year, with six mobilizations taking place in 2022 (2021: 9 mobilisations). Four of the six mobilizations were for NOC contracts, one was with an EPC client within the GCC region and one mobilisation took place within the North Sea for a wind farm related project.

As at 31 December 2022, GMS operated two vessels in Qatar and three vessels in KSA, highlighting its strong presence in both countries. SESV's are in significant demand in both countries, making them crucial markets for GMS.

### North-West Europe

GMS saw an improvement in utilization for the one E-Class vessel that remained in the North Sea to 84% (2021: 73%). The vessel has maintained relatively stable offshore wind farm activity. GMS secured a long-term contract with one of the largest windfarm developers in the world, providing the company with access to the ongoing windfarm maintenance market. We see significant growth in this market as offshore windfarm capacity continues to grow. During the last two years, vessels were moved from the North Sea into higher demand markets, such as Asia and the GCC. This led to an increase in vessel layups, reducing the supply in Europe and therefore increasing the demand for the remaining vessels, which led to improved utilisation for the vessels operating there.

## Market Outlook

The market is expected to remain stable in the near future, with growth predicted in both regions. The GCC region remains a key market due to the high demand for oil and gas exploration and production activities, while Europe is represented by demand on our vessels and is expected to see growth in the renewable energy sector. However, competition in the market is expected to remain high, leading to continued pressure on pricing and profitability.


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 seizing of opportunities is crucial to the successful delivery of the Group's strategic objectives. A rigorous 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 Executive team implements the risk management process from risk identification to management and mitigation.

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

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

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

As part of their regular risk assessment procedures, the Board considers the significance of ESG matters to GMS' business. The Audit and Risk Committee is responsible for reviewing the effectiveness of the Group's system of internal control and procedures. The Audit and Risk Committee has reviewed GMS' system of operational internal control (including risk management) for day-to-day operations and concluded that the controls remain effective.

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

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

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

The departmental reviews are then consolidated by the Executive team to identify an overall heatmap. Emerging risks are also identified through these discussions and included in reporting to the Audit and Risk Committee, which reviews the risk profile at least quarterly. The Board reviews the risk profile formally on an annual basis (see page 48 for details of the Board's actions as part of their review).

## Residual Risk Heat Map

1 Utilisation
2 Inability to secure appropriate capital structure
3 GCC local content requirements
4 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

## Principal Risks and Uncertainties

Future results are always subject to uncertainty and unpredictable events or factors beyond our control. While we can make educated guesses based on past trends and current information, there are always external factors that can impact outcomes in unexpected ways. The level of uncertainty when operating vessels offshore can vary depending on a range of factors such as weather conditions, sea state, navigational hazards, project related uncertainties and other external factors. Even with the most advanced technology and experienced crew, there is always a degree of uncertainty when operating in open waters. This is why our operations are subject to strict safety regulations and procedures to minimize risk and ensure the safety of crew members and client guests. It is important to be aware of these uncertainties and plan accordingly, while also remaining adaptable to change as circumstances evolve, as they can have an impact on our results, on our covenants and the value of the investment. 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.

**Key**

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

| Risk | Mitigating Factors and Actions |
|---|---|
| **1 Utilisation** | |
| Utilisation levels may be reduced by the following underlying causes:<br>• Customer concentration leading to potential significant changes in our contract profile and pipeline. Risks of potential loss of some clients to competitors.<br>• ADNOC (our client) has changed its strategy to bring SESVs in house through the acquisition of Zakher Marine. There is a risk of other NOCs to follow suit.<br>• Fleet capabilities may no longer match with changing client requirements. Clients may increase the standard specification required for an SESV, which might require the Group to upgrade some of its fleet to be compliant. | **Modification Flexibility for Clients**<br>GMS' vessels are built to be as flexible as possible allowing the Group to compete for a wide share of the market, which enable the Group maximise utilisation levels and charter day rates. The Group is capable of modifying assets in order to satisfy client requirements.<br><br>To comply with LIMS (Lifting Integrity Management System) the Group have involved engineering companies to perform technical studies on existing equipment to extend the life of equipment (time limited).<br><br>**Continuous Communication with Clients and Encouraging Loyalty**<br>The Group maintains strong relationship with its clients through continuous communication and a proven track record of providing safe and reliable services.<br><br>GMS has developed plans for fleet upgrades based on the expected future requirements of our clients.<br><br>To develop commercial proposals that builds loyalty by incentivising customer for longer term contracts with a higher number of vessels used.<br><br>**Business Segment and Geographical Diversity**<br>The Group is continuously looking for opportunities to maximise the utilisation of its vessels.<br><br>It is continually reviewing opportunities looking to diversify its market footprint through increasing its global client base.<br><br>**Vessel Monitoring**<br>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 modern ERP enabling overdue maintenance to be tracked and reported regularly. The Group's robust operating standards result in minimal operational downtime. |

| Risk | Mitigating Factors and Actions |
|---|---|
| **2 Inability to Secure an Appropriate Capital Structure** | |
| The Group is subject to increasing cost of debt due to increase in interest rates global benchmark, increase in the margin ratchet to 4% from 3% and introduction of PIK interest from 1 January 2023. This will impact the liquidity in the business and could impact the share price.<br><br>As warrants were issued in January 2023, this may impact the Group's ability to attract new investors as there would be a potential dilution if these warrants are exercised. | **Focus on De-leveraging**<br>Leverage levels have significantly reduced to 4.4 times compared to 5.8 times in 2021. With a continued focus on de-leveraging, the Group aims to have leverage levels below 4.0 times before the end of 2023. |
| **3 GCC Local Content Requirements** | |
| GCC NOCs have local content requirements as part of their tender processes, which varies for each country, designed to give preference to suppliers that commit to improving their local content and levels of spend and investment in-country. This may prevent GMS from winning new contracts or lead to financial loss and/or a reduction in profit margins on existing contracts, which will ultimately impact operating cash flows and net profitability. | **Local Content Requirements**<br>GMS embraces local content requirements, with a long history of operating for NOCs in the GCC with offices in each of the GCC countries where the Group operates. The Group actively manages its supply chain to ensure focus is put on maximising local content and, where necessary, will collaborate 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.<br><br>**Market Knowledge and Operational Expertise**<br>The Group has well established long-term relationships in the GCC region which provides an understanding of clients' requirements and operating standards.<br><br>**Local Content**<br>The Group continues to explore ways to improve its local content scores in all the regions in which they operate. |
| **4 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.<br><br>Inadequate preparation for situations, such as sudden equipment failure, inability to fulfil client requirements and unpredictable weather could have a negative impact on the business.<br><br>Incomprehensive insurance coverage may lead to financial loss. | **Safety Awareness**<br>Our highest priority is providing safe and reliable operations. This is achieved through HSEQ management system and a strong safety-focused culture. Management has appropriate safety practices and procedures including disaster recovery plans and comprehensive insurance cover across our fleet.<br><br>**Training and Compliance**<br>Our employees undergo continuous and rigorous training on operational best practices.<br><br>**Scheduled Maintenance**<br>The Group adheres to regular maintenance schedules on its vessels to ensure compliance with the highest safety standard.<br><br>**Business Continuity Plan**<br>The Group has in place a business continuity management plan which it regularly maintains to ensure the reliability of its operations.<br><br>Management continues to review and improve the current management systems and monitors the performance of HSEQ.<br><br>**Insurance**<br>The Group regularly consults with insurance brokers to ensure sufficient coverage is in place. |

| **Risk** | **Mitigating Factors and Actions** |
|---|---|

## 5 Liquidity and Covenant Compliance

The business is exposed to short-term liquidity management risks due to potential increases in interest rates and inflation, which could impact the debt service obligations and the Group's bank facilities covenants.

The increase in interest charges will lead to reduced liquidity in the business as more cash will be required to meet our banking requirements.

Reduced liquidity could impact future operations and lead to an event of default. This would give lenders the right to accelerate repayment of the outstanding loans, and then exercise security over the Group's assets.

Breach of covenant – All covenants are closely monitored as the headroom remains narrow, which is due to the Group's performance being very sensitive to many internal and external factors such as utilisation, operational downtime, interest rates and other variables.

**Liquidity Management**
The Group continues to manage liquidity carefully through focusing on cash collection from its customers.

**Minimising Capital Expenditure**
The Group is focused on restricting capital expenditure to essential spending, but without jeopardizing the safe and reliable operations of its vessels.

**Covenant Compliance**
The management team and Board regularly examine future covenant compliance based on the latest forecasts and take necessary measures to avoid any potential where a future breach of covenant is at risk. The Group monitors its various covenants throughout the remaining period of the loan.

**Expedite Debt Repayment**
Management is focussed on making early repayments of the bank loans to reduce the interest costs, improve our leverage position and meet our covenant requirements.

## 6 People

Attracting, retaining, recruiting and developing a skilled workforce.

Losing skills or failing to attract new talent to the business has the potential to undermine performance.

**Communication, Training and Engagement**
Communication has remained a key practice of management.

Rashed Al Jarwan is the Workforce Engagement Director for the Group, he is explicitly tasked with monitoring the level of engagement and alignment across the organisation.

During the year, the Group organized an event at Jubail Mangrove Park which is an educational and leisure destination. At the event, employees were recognised for their contributions in 2022, while some staff received Long Service Awards for completing either 10, 15, 20 or 25 years of service.

**Remuneration Policy**
The Short-Term Incentive Plan (STIP) is based on a single Business Corporate Scorecard to ensure all staff are aligned and incentivised around delivering a single set of common goals.

**Equal Opportunities**
GMS is engaged in fair and transparent recruitment practices. It has a zero-tolerance policy towards discrimination and provides equal opportunities for all employees.

Further, GMS add value through development programs, promotion from within the organization and focus on growing talent.

**Resource Planning**
The Group has identified all critical roles held by individuals and have adopted processes to ensure the smooth transition in the event of changes in those personnel. Also, in the short term, the Group utilised recruitment specialists and headhunters to fulfil key positions as the need had arisen.

| Risk | Mitigating Factors and Actions |
|---|---|
| **7 Legal, Economic and Political Conditions** | |
| Political instability in the regions in which GMS operates (and recruit from) may adversely affect its operations.<br><br>As the majority of crew for certain key positions come from Eastern Europe (Russia/Ukraine), Indonesia and Philippines, political instability may hamper the recruitment, retention and deployment of personnel.<br><br>Economic conditions such as interest rate and inflation increases will have an impact on the Groups' liquidity and profitability. | **Emergency Response Planning and Insurance**<br>For all our major assets and areas of operation, the Group maintains emergency preparedness plans. Insurance cover over the Group's assets is reviewed regularly to ensure sufficient cover is in place.<br><br>**Workforce Planning and Monitoring**<br>Workforce planning and demographic analysis is undertaken in order to increase diversity within the Group.<br><br>**Tax Advisors**<br>The Group engage with reputable tax advisors who regularly monitor the impacts of changes to tax legislation across the regions that GMS operates in.<br><br>**Inflation and Interest Rates**<br>Management is continually monitoring the liquidity position from changes in inflation and a focus on cost reduction. The key aim of the Group is to deleverage through early repayments, which will reduce the impact of interest. |
| **8 Compliance and Regulation** | |
| Non-compliance with anti-bribery and corruption regulations could be detrimental to stakeholder relations and lead to reputational and financial loss.<br><br>GMS' operations are subject to international conventions on – and a variety of complex federal and local laws, regulations and guidelines relating to – health, safety and the protection of the environment. Compliance with these has become increasingly costly, complex and stringent. Failure to appropriately identify and comply with laws and regulations, could lead to regulatory investigations. | **Code of Conduct**<br>The Group has a Code of Conduct which includes anti-bribery and corruption policies, and all employees are required to comply with this Code when conducting business on behalf of the Group. It is mandatory for employees to undergo in-house training on anti-corruption. All suppliers are pre-notified of anti-bribery and corruption policies and required to confirm their compliance with these policies.<br><br>**Regulations**<br>A central database is maintained which documents all of GMS' policies and procedures which comply with laws and regulations within the countries in which GMS operate. A dedicated Company Secretary is in place to help monitor compliance, in particular for UK legal and corporate governance obligations.<br><br>**External Review**<br>The Internal Auditors help ensure compliance with GMS policies, procedures, internal controls and business processes |
| **9 COVID-19 Pandemic** | |
| Despite easing of COVID-19 restrictions the pandemic still presents some challenges.<br><br>There are still 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.<br><br>There remains health risk to staff, both onshore and offshore, who come into contact with confirmed cases. | The restrictions around COVID-19 have been lifted during the year. The Group has noted a decrease in the number of cases through better control measures in place.<br><br>The Group remains focussed on the following areas to ensure a safe working environment.<br><br>**Hygiene Measures**<br>GMS maintains hygiene control and prevention measures across the fleet and onshore offices. The Group has maintained similar precautionary measures across the countries in which it operates.<br><br>**Vessel Maintenance**<br>The Group has in place a stringent change management process, which ensures the risk management process in place is appropriate.<br><br>**Recovery of COVID-19 Related Costs**<br>The Group is in the process of reclaiming some 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**<br>GMS operates multi-layer cyber-security defences which are monitored for effectiveness to ensure they remain up to date.<br><br>GMS engages with third party specialists to provide security services. |
| **11 Climate Change** | |
| Climate change poses both transition and physical risks to the Group.<br><br>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.<br><br>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.<br><br>The physical risks also interact with Principal Risk 4 – Our ability to deliver safe and reliable operations. | **Legal & Policy Monitoring**<br>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.<br><br>**Physical Infrastructure**<br>The Group monitors weather patterns to ensure conditions are suitable for our offshore employees and vessels. Onshore buildings and offshore vessels are designed to withstand the heat in the GCC region.<br><br>**Environmental Impact**<br>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.<br><br>In 2022, we have calculated all our scopes emissions and setting targets for the long-term reduction of our carbon emissions.<br><br>**Long-term Planning**<br>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.<br><br>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 include unexpected changes in the demand for oil, satisfying the climate change requirements of our clients, monitoring of suppliers' performance, changes to tax landscape in regions GMS operates in and potential client insolvencies.


GMS

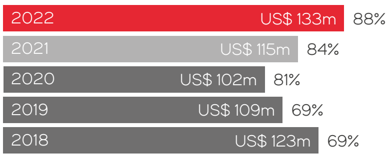
**Key Performance Indicators (KPIs), are used to monitor our performance against our strategic priorities. The KPIs comprise financial and operational measures and each links to the four pillars of our strategy. Refer to the Glossary for the definition of each Alternative Performance Measure (APM).**

**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 | 2022 Performance |
|---|---|---|

## Revenue and utilisation




% – SESV utilisation Bars – Revenue

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

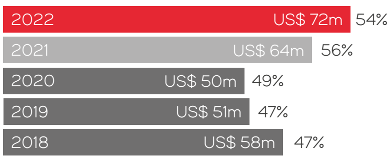
Utilisation is the percentage of days that vessels within the fleet of SESVs are chartered on a day rate out of total calendar days.

Revenue increased by 15.7% to US$ 133 million mainly attributable to an increase in E-Class utilisation and average day rates across all vessel classes.

Utilisation in the year improved to 88% (2021: 84%), E-Class utilisation levels saw an increase to 82% (2021: 72%). K-Class utilisation increased marginally to 87% (2021: 86%). S-Class utilisation slightly decreased from 98% in 2021 to 97% in 2022.

Average day rates in the year improved by 7% to $27.5k (2021: $ 25.7k) across all vessels. E-class increased by 12% to $ 35.4k (2021: $ 31.6k), K-class increased by 6% to $ 20.3k (2021: $ 19.1k), and S-class increased by 2% to $ 31.6k (2021: $ 31.0k).

## Adjusted EBITDA and Adjusted EBITDA margin




% – Adjusted EBITDA Margin Bars – Adjusted EBITDA

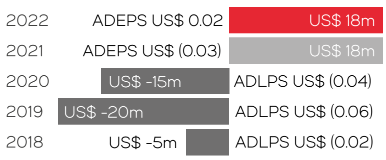
Adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation), excluding adjusting items (exceptional costs and non-cash impairments). It is a key measure of the underlying profitability of GMS' operations.

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

Adjusted EBITDA increased by 11.5% to US$ 71.5 million, (2021 US$ 64.1 million) driven by increased utilisation and day rates.

Adjusted EBITDA margin decreased to 54% (2020: 56%) due to increase in utilisation, the recognition of a charge for the bankruptcy of a client, as well as other one-off costs, and an increase in professional fees.

## Adjusted profit and Adjusted DLPS/DEPS



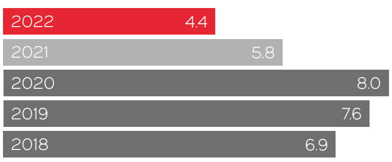

Numbers – Adjusted DLPS/DEPS
Bars – Adjusted profit/loss

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

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

The Group reported an adjusted net profit of US$ 17.6 million (2021: US$18 million), the reduction was driven by an increase in finance expenses partially offset by an increase in the gross profit for the year.

## Net bank debt to Adjusted EBITDA




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

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

The net debt to Adjusted EBITDA decreased to 4.4 times compared to 5.8 times in the prior year primarily as a result of improved adjusted EBITDA and reduction of the debt beyond the requirements of the loan agreement.

| KPI | Description | 2022 Performance |
|---|---|---|

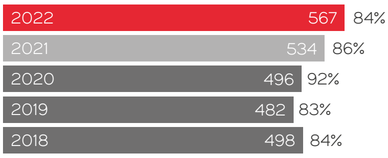
## Backlog


The backlog figures shown above are as at 1st April

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

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

## Average FTE retention (Onshore and Offshore)




% – Employee Retention
Bars – Average FTEs

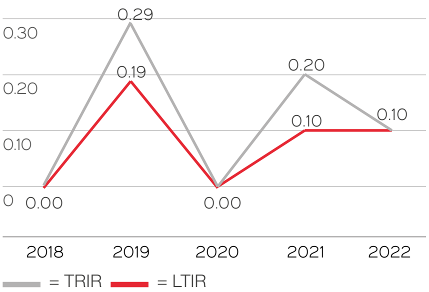
Employee retention shows the percentage of staff who continued to be employees in the year. The percentages shown do not take into account retirements or redundancies.

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

The Group staff retention reduced to 84% (2021: 86%).

Average onshore FTEs over the year have increased from 52 in 2021 to 55 in 2022. While for offshore FTEs, the average number throughout the year increased from 482 in 2021 to 511. The total Group headcount increased from 545 at 31 December 2021 to 594 at 31 December 2022, which was driven by increased utilisation of our vessels, which required an increase in recruitment of offshore FTEs.

## TRIR and LTIR



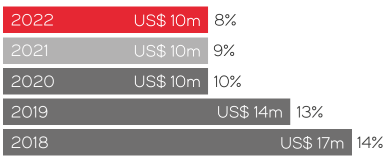

TRIR is the total recordable injury rate per 200,000 man hours, which provides a measure of the frequency of recordable injuries.

LTIR is the lost time injury rate per 200,000 man hours which is a measure of the frequency of injuries requiring employee absence from work for a period of one or more days.

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

There was one Lost Time Injury which happened in the middle of the fourth quarter of the year. As a result, we maintained the same Lost Time Injury rate of 0.1 since last year (2021 vs 2022). However, because there was no other recordable injury, our Total Recordable Injury Rate (TRIR) improved considerably from 0.2 (2021) to 0.1 (2022).

## Underlying G&A as percentage of revenue

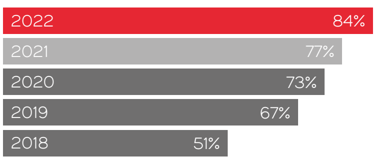



Underlying General and Administrative (G&A) expenses excluding depreciation and amortisation, restructuring and exceptional legal costs.
% – G&A to revenue
Bars – Underlying G&A

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

The G&A expense ratio dropped from 11% in 2021 to 10% in 2022. Underlying G&A increased by 6% to US$ 10.4 million (2021: US$ 9.8 million). This was mainly driven by an increase in professional fees.

## Secured utilisation at 1 January after each reporting date




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

Secured utilisation has decreased by 4 percentage points compared to the prior year. The decrease is due to two K-class vessel contracts coming to an end in 2023, which were already secured in the previous period. These contracts are in the process of being renewed.

| | 2022 US$m | 2021 US$m | 2020 US$m |
|---|---|---|---|
| Revenue | **133.2** | 115.1 | 102.5 |
| Gross profit/(loss) | **60.5** | 60.6 | (55.5) |
| Adjusted EBITDA[1] | **71.5** | 64.1 | 50.4 |
| Impairment reversal/(impairment) | **7.8** | 15.0 | (87.2) |
| Net profit/(loss) for the year | **25.4** | 31.2 | (124.3) |
| Adjusted net profit/(loss)[2] | **17.6** | 18.0 | (15.3) |

## Introduction

Revenue increased by 15.7% to US$ 133.2 million (2021: US$ 115.1 million). Vessel utilisation increased to 88% (2021: 84%) mainly driven by securing long term contracts for vessels that were off hire in 2021. These long term contracts secured higher day rates in the current year, contributing to the increase in revenue. E-Class utilisation levels increased to 82% (2021: 72%), while our K-Class and S-Class utilisation remained also almost flat at 87% (2021: 86%) and at 97% (2021: 98%) respectively.

Average day rates increased by 7% to US$ 27.5k (2021: US$ 25.7k) across all vessel classes. This was driven by an increase in average E-class day rates to US$ 35.4k (2021: US$ 31.6k), while K-class and S-class average day rates also improved to US$ 20.3k (2021: US$ $19.1k) and US$ 31.6k (2021: US$ 31.0k) respectively.

Adjusted EBITDA[1] increased to US$ 71.5 million (2021: US$ 64.1 million) while there is a slight decrease in adjusted EBITDA margin to 54% (2021: 56%). The increase in Adjusted EBITDA is mainly driven by the increase in utilisation particularly in the Group's higher earning E-Class vessels described above, as well as an increase in daily rates across our vessels.

Vessel operating expenses[3] increased by 24% to US$ 51.2 million (2021: US$ 41.2 million), driven by an increase in utilisation, the recognition of a charge for the bankruptcy of a client, as well as other one-off costs.

General and administrative expenses[3] slightly increased by US$ 0.9 million to US$ 13.2 million, mainly driven by an increase in professional fees.

The Group reported a net profit for the year of US$ 25.4 million (2021: US$ 31.2 million). The decrease in profit was mainly driven by higher finance expense of US$ 20.1 million (2021: US$ 14.5 million), which comprised the revaluation gain in revision of the debt facility in 2021 amounting to US$ 6.3 million, which did not occur during the current year. This is offset by an increase in the current year valuation of the embedded derivative, impacting the net profit by US$ 2.5m (2021: US$ 0.2m). This is also accompanied by a net reversal of impairment recognised at US$ 7.8 million compared to US$ 15.0 million in the previous year.

Adjusted net profit which excludes net impairment charge reversals in both 2022 and 2021 and exceptional finance costs in 2021 was US$ 17.6 million (2021: US$ 18.0 million).

Finance expenses have increased to US$ 20.1 million (2021: US$ 14.5 million) during the year. This is driven by an increase in LIBOR rates from 0.2% in 2021 to 4.7% during the year, as well as an increase in the fair value of the embedded derivatives of US$ 2.5 million (2021: US$ 0.2 million). As the warrants were issued in January 2023, the balance is recognised as a current liability as at 31 December 2022.

Net bank debt[3] reduced to US$ 315.8 million (2021: US$ 371.3 million). The net leverage ratio has reduced to 4.4 times compared to 5.8 times in 2021. This is due to the increase in adjusted EBITDA and a result of the Group's effort to de-leverage by paying US$ 51.5 million towards the working capital facility and principal of the bank borrowings during the year, of which US$ 26.0 million were an obligation as per agreement with Lenders.

## Revenue and Segmental Profit/Loss

The table on page 119 shows the contribution to revenue, and segment gross profit or loss made by each vessel class during the year.

Utilisation in 2022 increased to 88% (2021: 84%). This continues to be the highest level of utilisation achieved since 2015. Our E-Class utilisation levels have significantly increased to 82% (2021: 72%). K-Class utilisation remained relatively flat at 87% (2021: 86%) and S-Class utilisation was 97% (2021: 98%).

There was an increase in average day rates by 7.3% which amounted to US$ 27.5k (2021: US$ 25.7k). Vessel day rates for E-Class vessels increased by 12.0% which secured contracts with higher day rates than compared to 2021, with increases to K-Class and S-Class rates of 6% and 2% respectively.

The UAE, Qatar and Saudi Arabia combined region continue to be the largest geographical market representing 89% (2021: 89%) of total Group revenue. The remaining 11% (2021: 11%) 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 76% of 2022 total revenue (2021: 70%).

1 Represents operating profit after adjusting for depreciation, amortisation and impairments / reversal of impairments. This measure provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in *Note 31.*

2 Represents net profit/(loss) after adjusting for the impairments / reversal of impairments and other non-recurring items. This measure provides additional information in assessing the Group's total performance that management can directly influence and is comparable from year to year. A reconciliation of this measure is provided in Note 31.

3 A reconciliation of this measure is provided in *Note 31* and is also defined in APMs section in page 139.

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

| Vessel Class | Revenue US$'000 | | Gross profit/(loss) US$'000 | | Adjusted gross profit/(loss) US$'000* | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| E-Class vessels | **51,135** | 38,680 | **18,641** | 21,277 | **15,321** | 11,170 |
| S-Class vessels | **33,986** | 33,420 | **12,600** | 15,897 | **17,231** | 15,897 |
| K-Class vessels | **48,036** | 43,027 | **29,409** | 23,568 | **20,310** | 18,716 |
| Other vessels | **–** | – | **(116)** | (116) | **(116)** | (116) |
| **Total** | **133,157** | **115,127** | **60,534** | **60,626** | **52,746** | **45,667** |

* See Glossary and *Note 31* of the consolidated financial statements.

## Cost of Sales, Reversal of Impairment and Administrative Expenses

Cost of sales excluding the net reversal of impairments increased to US$ 80.4 million (2021: US$ 69.5 million) with operating expenses increasing by US$ 10.0 million and depreciation and amortisation increasing by US$ 0.9 million. In line with the increase in revenue by 15.7%, cost of sales excluding depreciation and amortisation increase by 24.3% to US$ 51.2 million (2021: US$ 41.2 million). Total depreciation and amortisation included in cost of sales amounted to US$ 29.2 million in 2022 (2021: US$ 28.2 million).

Management performed a formal impairment assessment of the Group's fleet, comparing the net book value to the recoverable amount as at 31 December 2022. Based on the assessment, the total recoverable amount of the fleet was computed at US$ 595.5 million (2021: US$ 631.9 million) resulting in an impairment charge reversal of US$ 21.0 million and an impairment charge of US $13.2 million (2021: impairment charge reversal of US$ 15.0 million). Refer to Note 5 in the consolidated financial statements for further details.

Overall general and administrative costs increased from US$ 12.3 million in 2021 to US$ 13.2 million in 2022. Underlying G&A (which excludes depreciation and amortisation) increased to US$ 10.4 million (2021: US$ 9.8 million).

## Adjusted EBITDA

Adjusted EBITDA, which excludes the impact of net reversal of impairment in both 2022 and 2021, increased to US$ 71.5 million (2021: US$ 64.1 million), mainly driven by the increase in utilisation particularly in the Group's higher earning E-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 31* and Glossary for further details.

## Finance Expense

Finance expense increased from US$ 14.5 million in 2021 to US$ 20.1 million in 2022. The main component of finance expense includes US$ 17.2 million (2021: US$ 17.5 million) interest on bank borrowings which has only reduced marginally from 2021, for the reasons explained above. The primary reason for the increase in finance expense year on year is due to the revaluation gain in revision of debt facility in 2021 amounting to US$ 6.3 million, which did not occur during the current year. This is offset by an increase in the valuation of the embedded derivative with a net loss on changes in fair value of US$ 2.5 million as compared to net gain on changes of fair value (including recognition and derecognition of the embedded derivative) in the prior year of US$ 0.7 million. Finance expense was also reduced by the net gain on changes in fair value of interest rate swap of US$ 1.1 million (2021: US$ 0.3 million).

## Earnings

The Group achieved a net profit of US$ 25.4 million (2021: US$ 31.2 million), mainly driven by an increase in utilisation, increase in finance expense and the net reversal of impairment booked in at US$ 7.8 million (2021: US$ 15.0 million), all described above.

After reflecting for adjusting items (net impairment reversals in 2022 and 2021 and finance expenses in 2021) the Group incurred an adjusted profit of US$ 17.6 million (2021: US$ 18.0 million).

## Capital Expenditure

The Group's capital expenditure during the year reduced to US$ 9.1 million (2021: US$ 12.2 million).

## Cash Flow and Liquidity

During the year, the Group delivered significantly higher operating cash flows of US$ 82.6 million (2021: US$ 40.5 million). This increase is primarily as a result of the movement in trade receivables and trade and other payables described below. The net cash outflow from investing activities for 2022 decreased to US$ 6.3 million (2021: US$ 11.5 million).

The Group's net cash flow from financing activities was an outflow of US$ 72.3 million during the year (2021: US$ 24.5 million) mainly comprising net repayments to the bank of US$ 51.4 million (US$ 31.0 million) and interest paid of US$ 17.6 million (US$ 13.0 million). Cash outflows in 2021 were offset primarily by the proceeds from issue of shares amounting to US$ 27.8m, which did not reoccur in 2022.

## Balance Sheet

Total non-current assets at 31 December 2022 were US$ 605.3 million (2021: US$ 617.2 million), following a US$ 7.8 million net reversal of impairment on some of the Group's vessels (2021: US$ 15.0 million).

Total current liabilities increased to US$ 69.3 million at 31 December 2022 (2021: US$ 53.0 million). Trade payables, including amounts due to related parties of US$ 2.8 million (2021: US$ 0.2 million), increased to US$ 15.5 million (2021: US$ 9.0 million) and other payables increased to US$ 12.5 million (2021: US$ 10.4 million). There was an increase in bank borrowings due within one year to US$ 30.0 million (2021: US$ 26.1 million), this is due to the increase in the quarterly payments of the bank borrowings from US$ 6.0 million to US$ 7.5 million, as per the loan agreement. Further, the embedded derivative of US$ 3.2 million was reclassified from non-current liabilities to current liabilities during the year.

The increase in equity reflects the net profit achieved during the period. Current assets have decreased as receivables are converted into cash that was used to repay the working capital facility. While current assets are lower than current liabilities, the Group continues to monitor the situation and expects to honour all its short term liabilities.

### Net Bank Debt and Borrowings

Net bank debt as at 31 December 2022 reduced to US$ 315.8 million (2021: US$ 371.3 million) due to payments of US$ 51.5 million during the year. These payments comprised of US$ 30.0 million towards the principal loan and US$ 21.5m towards the Working Capital Facility. The net leverage ratio has significantly reduced and was 24% lower at 4.4 times as at 31 December 2022 compared to 5.8 times in 2021, as a result of improved adjusted EBITDA.

### Going Concern

The Group successfully completed the refinancing of its loan on significantly improved terms in 2021 thus providing a positive platform on which the future development and growth of the business can be based. Successful negotiations with lenders have resulted in improved margin interest rates thus enabling the Group to manage its short-term liabilities in a better way.

Warrants being granted and vesting is a non-cash transaction and would not impact the Groups ability to remain a Going Concern. If the warrants are exercised, the holders would be required to pay the Group circa US$ 9.6 million (GBP 7.9 million).

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.

### 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$ 0.6 million (2021: US$ 0.5 million). In addition, there were related party transactions for catering services on one of our vessels totalling to US$ 1.2 million (2021: US$ 0.3 million) and overhauling services totalling US$ 1.9 million (2021: US$ nil), from affiliates of Mazrui International LLC, the Group's second largest shareholder (25.6%).

The Group is not allowed to have any transactions with its largest shareholder, Seafox International (29.99%) as agreed with Lenders. Further details can be found in the Directors Report on page 70 and Note 24 of the consolidated financial statements.

### Adjusting Items

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

**Alex Aclimandos**
Chief Financial Officer
23 April 2023

## LONG-TERM VIABILITY STATEMENT

### How We Assess Our Prospects

In considering the Group's long-term viability prospects, the Directors regularly assesses the risks to its business model, strategy, future performance, solvency and liquidity. These assessments are supported by the risk management processes and include a review of the Group's exposure to principal risks and uncertainties.

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

### Assessment Period

In line with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have carried out a thorough review of the prospects of the Group and its ability to meet its liabilities through to at least the end of April 2026.

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. This period is also aligned with industry peers. The Directors 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$ 223 million) falls due in June 2025. Based on the latest forecast, the Group will not be able to meet its obligation to repay the bullet payment as at 30 June 2025. However, given that the Self-Elevating Support Vessels (SESVs) market continues to improve and GMS has witnessed in the past year a strengthening of the demand for GMS vessels both the net leverage ratio and the loan to value ratio are expected to be lower in June 2025. This is in line with the current performance forecast and management are confident that the Group will be well placed to source new finance ahead of the bullet payment falling due.

Taking these factors into consideration, the Directors believe that a three-year forward-looking period, commencing on the date the annual accounts are approved by the Directors, is the appropriate length of time to reasonably assess the Group's viability.

## Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks. The Directors regularly review the principal risks to the business and assesses the appropriate controls and the key mitigating actions used to address them. The Directors have further considered their potential impact within the context of the Group's viability.

## Sensitivity Analysis

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

- no work-to-win in 2023;
- a 24 percent and 15 percent reduction in work to win utilisation in 2024 and 2025 respectively;
- a reduction in day-rates for a K-Class vessel assumed to have the largest day rate, by 10 percent commencing from May 2023; and
- increase in forecast LIBOR by 10 percent in H1 2024.

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

## Reverse Stress Testing

In addition to the above downside sensitivity, the Directors have also considered a reverse stress test, where profit 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 2023;
- a 29 percent reduction in advanced stage negotiation utilisation in 2023;
- no options in 2025;
- a 35 percent and 24 percent reduction in work to win utilisation in 2024 and 2025 respectively; and
- increase in forecast LIBOR by 10% percent in H1 2024.

Based on the above scenario there will be covenant breaches as Finance Service Cover and Interest Cover ratios would exceed the permitted levels at 30 June 2024. Finance cover ratio will also exceed the permitted level at 31 December 2024.

Given the improved market conditions and strengthening of the demand for GMS vessels, the above breach scenario is highly unlikely to occur. However, should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity. Potential mitigating actions include the following:

- 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; and
- Reduction in overhead costs, particularly, bonus payments estimated at US$ 125k per month.

GMS continues to remain cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The impact of climate change is expected to be insignificant in the going concern assessment period.

## Conclusion

Taking into account the Group's current position and its principal risks, the Directors have reasonable expectations that the Group will be able to continue its operations and meet its liabilities as they fall due over the next three years.

**Mansour Al Alami**
Executive Chairman
23 April 2023

**As I mentioned in the Chairman's review on page 2, the past year has seen the Group continue to put emphasis on the development of the Group's business within a framework of effective risk management and internal control. Over the previous two years the Board has focussed on ensuring transparency and ethical business practices with the support of our diligent and active Audit & Risk Committee and Remuneration Committee, which are made up solely of independent non-executive Directors. In the past year, the Board has built on this foundation now looking longer into the future. In this introduction, and in the Board and Committee Reports that follow, we seek to give some insight to our work.**

Aspects of governance over the past year include:

1. We held a full strategy meeting at the Company's offices in Abu Dhabi with both directors and members of management present. This enabled presentations from members of management, subsequent debate amongst directors, and feedback from the Board.
2. At strategy meetings, Board meetings, and more generally, we benefit greatly from the diversity of our Directors who are from several different countries across three different continents. This diversity includes their wide experience in the region and across related industries, helping inform Board debates. We are though conscious of the lack of gender diversity on the Board which we are committed to remedying with our next Board appointment now targeted to be completed over the coming year.
3. This diversity of our Board increases the level of challenge in its debates and ensures decisions are reached following proper consideration of alternatives. It also ensures decisions that are made take account of the interests of different stakeholders in the Group as well as all shareholders.
4. One key decision was the issue of the Warrants due to the banks under the Group's borrowing facilities in the absence of the US$ 50 million equity raise otherwise required under the Group's borrowing facilities. This resolved an uncertainty regarding the ongoing capital structure of the Group in a way that complied with the Group's legal obligations as well as securing the future of the Group for our stakeholders.
5. Following a tender process overseen by our Audit and Risk Committee, and in accordance with their recommendations, KPMG was appointed as the new Auditor of the Group. I would like to thank Jyrki Koskelo, for his work on this and welcome KPMG to their new role.
6. Our Remuneration Committee was also particularly active during the year. The Committee completed an extensive consultation with our shareholders regarding plans for long term incentive awards. In line with the vast majority of responses received, these awards were granted in June. These included three year net profit and EBITDA targets together with an underpin condition relating to the Group's leverage at 31 December 2022. I would like to thank Anthony St John for his work including in achieving long-sought consensus amongst shareholders. Due to the underpin condition not having been met, the awards lapsed and the Committee has decided to consider future LTIP awards when this leverage level has been met.
7. Further detail of the work of our Audit and Risk and Remuneration Committees is included in the reports commencing on pages 47 to 53 respectively. These are important parts of our overall governance activities underpinning the responsibilities of the Board in the key areas.
8. The main activity of our Nomination Committee over the past year has been in review of the results of our Board and Committee evaluation. This important work reviewed activities during the year and identified areas that could be improved. It is for a Board on a whole to take forward such areas of improvement, further details of which are given in the report of the Nomination Committee on page 53.
9. Following on from our strategy discussion in 2022, we have now developed an updated 3-year business plan for the Group. Whilst the previous years have had more focus on shorter term matters around capital structure, from 2023 we can turn our attention to longer term matters.
10. As we move forward, our corporate governance structure will enable our Board and its Committees to provide the direction, oversight and control that has helped us successfully navigate the challenges of the past. Whilst there is no doubt there will be fresh challenges ahead, we look to the future with confidence and optimism as we continue to build shareholder value.

As indicated above, the Board and its Committees are diligently working on behalf of shareholders and other stakeholders in the Company. This work helps sustain operational excellence to enhance performance and utilisation of the Group's assets and explore new opportunities within the market. The Board's focus remains wholly on its management of the 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 the provision set out in the table on page 46, 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
23 April 2023

## Governance Calendar for 2022

The overall calendar of meetings of the Board and its Committees for 2022 is shown below.

### Governance Calendar for 2022

| | Further Information | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Board | Page 40 | | | ● | | ● | ● | | ● | ● | | ● | ●● |
| Audit and Risk Committee | Page 47 | | ● | ● | ●● | ●● | | | | ● | | ● | |
| Nomination Committee | Page 50 | | | ● | | | | | | | | | |
| Remuneration Committee | Page 53 | | | ● | | | | | | | | ● | |
| General Meeting | Page 20 | | | | | | | | | | ● | | |
| Annual General Meeting | Page 38 | | | | | | ● | | | | | | |

### Meeting Attendance by Directors in 2022

| Director | Board | Audit and Risk Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| Mansour Al Alami | ● ● ● ● ● ● ● ● | ◍ ◍ ○ ◍ ◍ ◍ ◍ ◍ | ◍ ◍ | ● |
| Hassan Heikal | ◉ ◉ ● ● ● ● ◉ ◉ | ○ ○ ○ ○ ○ ○ ○ ○ | ○ ○ | ○ |
| Rashed Al Jarwan | ● ◉ ● ● ● ● ● ● | ● ● ● ● ● ◉ ● ● | ● ● | ● |
| Jyrki Koskelo | ● ● ● ● ● ● ● ● | ● ● ● ● ● ● ● ● | ● ● | ● |
| Lord Anthony St John of Bletso | ● ● ● ● ● ● ● ● | ◉ ● ● ● ● ● ● ● | ● ● | ● |
| Charbel El Khoury | ● ● ● ● ● ● ● ● | ○ ◍ ○ ○ ○ ◍ ○ ○ | ◍ ○ | ● |

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

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

## Mansour Al Alami

### Executive Chairman

**Appointed to the Board**

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

**Relevant skills and experience**

Mansour Al Alami's career spans over 40 years in the MENA region and includes experience in the oil, gas & 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 Upon Tyne University, UK.

**Significant external appointments**

None

☐ 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 eight years as Co-Chief Executive Officer. Prior to EFG Hermes, Hassan worked in Goldman Sachs, where he served in the Corporate Finance Division.

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

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

**Significant external appointments**

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

## 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. He also acts as the 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 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

## 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 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 La Sagesse University, Lebanon. In 2021, he also successfully completed the Harvard Business School executive education program at Harvard University, USA.

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

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 as a member of the Supervisory Boards of Serengeti Energy (Sub-Saharan Africa) and 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 of Africa Agriculture and Trade Investment Fund, based in Luxembourg. He is also a member of the Supervisory Boards of Serengeti Energy, Sub-Saharan Africa and 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 to enhance the value of GMS. 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.

<table>
<tr><th colspan="4">Board Calendar for Principal Meetings in 2022</th></tr>
<tr><td>*At Each Principal Meeting</td><td colspan="2">**Review and discussion of:<br>• Health, safety and the environment<br>• Fleet performance and operational matters<br>• Discussions regarding the progress of negotiations with the Group's banks on re-setting its capital structure<br>• Competitive landscape and market<br>• Legal and corporate governance matters<br>• Investor relations and feedback<br>• Finance and accounting matters<br>• Human resources<br>• Risk management and key risks facing the Group<br>• Trading and forecast updates</td><td>Review of reports from Board Committees as relevant</td></tr>
<tr><td>***At Specific Meetings</td><td>March<br>• Review and discussion on the impact of the global events on staff<br>• Review and discussion of the Board Evaluation<br>• Review and approval of Modern Slavery Statement<br>• Review and approval of Terms of Reference for each of the Board's standing Committee's<br>• Discussions for the appointment of KPMG as the Group's auditors<br>May<br>• Review and approval of full-year results<br>August<br>• Review and discussion of the performance against the Group scorecard.<br>• Discussion and review of debt structure agreement with the banks<br>• Discussion on the legal opinion regarding PIK<br>• Review of AGM results</td><td colspan="2">September<br>• Review and approval of half-year results<br>• Review and discussion on borrowing arrangements<br>• Operational review of the Group<br>• Review and discussion of regional markets and business development<br>November<br>• External Industry Presentation<br>• Discussion of future financing<br>• Discussion of abolition of LIBOR and approval of SOFR in agreement with the banks<br>• Review of the forecasts for 2023<br>December<br>• Review of financing arrangements<br>• Discussion and approval of the Budget for 2023<br>• Review and approval of Warrant Issuance</td></tr>
</table>

* 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 2022.
*** 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**<br>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.<br><br>See pages 47 to 49 for the Report of the Audit and Risk Committee. | 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.<br><br>See pages 53 to 54 for the Report of the Remuneration Committee. | Considers and recommends appointments to the Board taking into account the appropriate skills, knowledge and experience to operate effectively and to determine the Group's strategy.<br><br>See pages 50 to 52 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 40 to 41. The Board intends to seek the appointment of an additional independent non-executive Director to introduce gender 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 should be proposed for re-appointment at the Company's upcoming Annual General Meeting (AGM).

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 the independent other non-executive Directors appointed. 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 44.

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, our Board brings strong relationships with key clients and banks, extensive experience in other companies in the MENA region, Europe and beyond and considerable sector, technical, financial and operational experience. In addition, the Board is wholly committed to promoting the long-term sustainable success of the 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 aim to operate in a collegiate manner by ensuring that each of the Directors is able to make an active contribution to the Board's decision-making. Whilst the roles of Chairman and Chief Executive Officer are held by one individual, which is contrary to the recommendation of the Code, we are satisfied that the 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.

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

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

## How the Board Operates

### The Roles of the Board and its Committees

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

The Board is assisted in certain responsibilities by its committees which carry out 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 43 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 some or all Directors attending by video. 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 distributed in advance of main Board meetings, allowing sufficient time for their review, consideration and clarification or amplification of reports in advance of the meeting.
- Once goals have been set and actions agreed, the Board receives regular reports on their implementation.
- Management reports with commentary and analysis are distributed to the Board on a regular basis.
- The Board reviews the Group's risk register and challenges it where appropriate.
- All Directors have open access to the Group's key advisers, including management and the Company Secretary, and are also entitled to seek independent professional advice at the Group's expense where appropriate.

## Director Induction and Training

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

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

## 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 2023 Annual General Meeting (AGM) as set out in the Notice of AGM 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 the past year.

A summary of the internal evaluation undertaken by the Board is included in the Nomination Committee Report on page 51. The Company is not currently required to conduct an externally facilitated Board evaluation in terms of the Code although the Board will keep this matter under review as the Group develops.

## Engagement with Shareholders and Other Stakeholders

The Chairman is responsible for shareholder relations, ensuring that there is effective communication with shareholders on matters such as performance, governance and strategy. The Senior Independent Director is also available to any shareholder with concerns on matters that cannot be addressed through the usual methods. The Senior Independent Director can be contacted through the Company Secretary. The committee Chairs are also available to shareholders and consult with shareholders, where appropriate, in respect of significant areas which come within their 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 the 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, as well as at main Board meetings.
- The Senior Independent Director acts as a sounding board and confidante to the Executive Chairman and is available to shareholders.
- The non-executive Directors are primarily responsible for constructively challenging all recommendations presented to the Board, where appropriate, based on their broad experience and individual expertise.

### Summary of individual responsibilities

***Executive Chairman – Board responsibilities**

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

***Executive Chairman – Management responsibilities**

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

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

| Senior Independent Director | Company Secretary |
| --- | --- |
| • Acting as a sounding board for the Executive Chairman.<br>• Available to shareholders (and contactable via the Company Secretary) if they have concerns on matters that cannot be addressed through normal channels.<br>• Ensuring a balanced understanding of major shareholder issues and concerns.<br>• 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.<br>• Serving as an intermediary for the other Directors and the Executive Chairman if necessary.<br>• Provides an independent voice on the Board along with the other Independent non-executive Director. | • Secretary to the Board and each of its committees.<br>• 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.<br>• 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 2022.

| Code Provision | | Period of Non-compliance | Reasons for Non-compliance |
| --- | --- | --- | --- |
| 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 earlier in this report. The Board will continue to keep these arrangements under review to ensure they operate satisfactorily. |

## Annual General Meeting in 2023

Notice of the 2023 Annual General Meeting will be issued to shareholders and posted on the Company's website.

**Mansour Al Alami**
Executive Chairman
23 April 2023

# AUDIT AND RISK COMMITTEE REPORT

## Dear Shareholders,

I am pleased to present the annual report of the Audit and Risk Committee for the fiscal year 2022. This is my second report as Chair of the Audit and Risk Committee (the Committee) and I am pleased to set out in this report an update on the main activities of the Committee in 2022 and up to the date of this report. As members of the Committee, we have overseen the company's financial reporting process, internal control systems, and risk management framework.

## Membership

On February 5th, 2021, I became the Chair of the Committee, succeeding Rashed Al Jarwan, who now serves as the Senior Independent Director on the Committee. Lord Anthony St John of Bletso joined both the Board and Committee on May 26th, 2021, and brings with him a wealth of financial experience and knowledge. All Committee members are independent non-executive Directors, and our collective expertise allows us to carry out our duties effectively. This composition adheres to the Corporate Governance Code, which specifies that the Committee should consist solely of independent non-executive Directors. Further information about the Committee members' backgrounds is available in their biographies, located on pages 40 to 41.

As part of my transition onto the Board and Committee, I collaborated with management to review significant areas of judgement and internally reported information. Additionally, I examined previous Committee documents and minutes and engaged in conversations with the external auditor that we selected to replace Deloitte.

## 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 six times during 2022 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 39 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

Throughout 2022, the Committee focused on various areas, including financial reporting, internal control and risk management, internal audit, and external audit. The following sections offer more in-depth insight into our specific endeavours under each of these headings, outlining the actions we, as a Committee, have taken and the outcomes of our efforts.

### A) Financial Reporting

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

#### Significant issues

In this area, we pay close attention to significant issues that we deem important based on their potential impact on the Group's results or the level of complexity, judgement, or estimation involved in their application. For 2022 and up to the date of this report, we considered all significant issues that could be material to the Group's results for the year and closing balance sheet position.

After careful consideration, we were satisfied that management's judgements were reasonable, and appropriate disclosures were included in the 31 December 2022 consolidated financial statements. It is important to note that the Board bears the ultimate responsibility for reviewing and approving the Annual Reports and half-yearly reports. In making our recommendations on these reports to the Board, we give due consideration to laws and regulations, the Code's provisions, and the Listing Rules.

Over the course of 2022, the Committee's work focused on the following areas: financial reporting, internal control and risk management, internal audit and external audit. The following sections provide more detail on our specific items of focus under each of these headings, explaining the work we, as a Committee, have undertaken and the results of that work.

### Current Year Items

| Area of Focus and Issue | How Addressed and Conclusion |
|---|---|
| **Reversal of impairment of property, plant and equipment**<br><br>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.<br><br>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.<br><br>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.<br><br>The Committee evaluated the validity of the assumptions and variations considered in computing the vessels' value in use. The feasibility of the long-term business plan and the suitability of the weighted average cost of capital, which served as an initial basis for determining the discount rate, were taken into account.<br><br>Discussions were held with the external auditor, and the Committee assessed the audit testing procedures conducted.<br><br>After examining management's assumptions, the Committee approved the recognition of a reversal of impairments of the K-Class and E-Class fleet, with a combined value of US$ 21.0 million. Additionally, an impairment charge of US$ 13.2 million was recognised across the remaining vessels.<br><br>The Committee evaluated the Group's internal controls regarding impairment, primarily focusing on the prompt identification and resolution of accounting judgement issues, as well as the quality and timeliness of documents analysing the Group's position on such judgments.<br><br>The Committee scrutinized and questioned the impairment calculations formulated by the management and made sure that there was a rigorous evaluation of internal controls to evaluate the precision of assumptions and identification of areas requiring enhancement. Additionally, the Committee assessed the extent of assistance necessary from valuation experts to endorse intricate judgments and calculations linked with accounting estimates established by the management. |

### B) Internal Control and Risk Management

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

During the year, the Board conducted a comprehensive assessment of the principal and emerging risks facing the Group. The Committee supports the Board by regularly reviewing the risk heatmap and associated controls to identify and manage risks effectively.

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

The Audit and Risk Committee also reviewed control deficiencies identified during the 2022 year end external audit and the areas of improvement needed to enhance controls in the following areas: impairment, recognition of withholding tax liabilities, classification of accruals and financial reporting process. They concluded that in 2022, 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 an enhanced review of internal controls to identify areas of improvement in 2023.

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

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

Baker Tilly was tasked with reviewing the Group's documented finance procedures and testing the design of controls, including those implemented in 2021 and 2022. Whilst work is still ongoing, the Audit and Risk Committee has reported that there were control weaknesses identified, however these were not significant. Any gaps between the current state and industry best practices are reported to the Committee.

Aside from the internal audit function, the Group is regularly audited by certain clients and industry bodies. The Committee is informed of any significant findings and assesses these findings to ensure that appropriate action is taken by management as necessary. According to the reports, there were no significant findings to report to the Committee during the year.

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

## 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. KPMG Ireland (KPMG) were appointed as external auditor in 2022.

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.

### Provision of Non-audit Services

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

Total 2022 audit fees were US$ 620,000 (2021: US$ 693,000). The total non-audit services provided by the Group's external auditors for the year ended 31 December 2022 were US$ 167,000 (2021: US$ 410,000) which comprised 21% (2021: 37%) of total audit and non-audit fees. A non-audit fee of US$ 167,000 (2021: US$ 240,000) was incurred in relation to the interim review. Additionally, a non-audit fee of US$ nil (2021: US$ 170,000) was incurred on costs to review the prospectus and equity raise related costs. The Committee has confirmed that KPMG's provision of non-audit services during the current year has not compromised the external auditor's objectivity and independence. Note 36 of the financial statements provides additional information on the remuneration paid to the external auditor for both audit and non-audit services.

### Audit and Risk Committee Effectiveness Review

The effectiveness of the Audit and Risk Committee was reviewed as part of the Board evaluation commented on page 45.

### Ethical Conduct and Compliance

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

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

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

**Jyrki Koskelo**
Audit and Risk Committee Chairman
23 April 2023

## 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 March 2022 when it reviewed matters.

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

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

Diversity of skills, background and personal strengths are key to a Board's effectiveness. 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 40 to 41.

## 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 have agreed that the most effective way of ensuring engagement with the workforce continues to be an independent non-executive Director to oversee workforce engagement for the Board. Rashed Al Jarwan, the Senior Independent Director, is the appointed Director, a role he has held since May 2021. As part of this role, a town hall-style meeting has been held with staff emphasising the importance of the contribution of the workforce and explaining the role and interest of the Board in this. This is followed up with employee engagement surveys covering several areas including, culture, environment, remuneration, individual roles and development within the Company. The results of surveys were reported to and discussed by the Board as part of their ongoing considerations around the workforce. An employee action plan for 2022 was also introduced in response to the results of the previous survey to ensure the required focus on employee interests is sustained. In 2022, we organised our annual offsite meeting in the Al Jubail Mangroves where every employee present had the opportunity to plant a tree. 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 2022, an internally facilitated evaluation of the Board, its committees, individual Directors and the Executive Chairman was conducted. The evaluation followed the process set out below:

**Questionnaire**
Directors completed a questionnaire on a confidential basis. The questionnaire was structured to provide Directors with an opportunity to express their views on a range of matters including:
- strategy and risk;
- Board 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 2022 Board evaluation questionnaire were collectively reviewed by the Nominations Committee and conclusions 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. The Board concluded that it should continue to focus on progressing the Group's business and strategy 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 was led by the Chairman of the Remuneration Committee and was concluded to be satisfactory. The Chairman of the Remuneration Committee 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 where appropriate committee meetings and any other duties. The biographical details of Directors can be found on pages 40 to 41. All of the Company's Directors will stand for re-election at the 2023 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 through the appointment of an additional Director. Although this has not yet been practical, it remains the Board's intention to do so 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 15 provides further information on the Group's workforce.

## Succession Planning

The Committee noted it was important to ensure business continuity through the ongoing development of the depth of the management team, including the operational aspects from the marine side and business development.

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

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

**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
23 April 2023

# REMUNERATION COMMITTEE REPORT

## Dear Shareholders,

Having joined the Board as an independent non-executive Director in 2021, this is my first report after a full year as Remuneration Committee Chairman. On the Committee with me are Jyrki Koskelo, another of our independent non-executive Directors and Rashed Al Jarwan our Senior Independent Director.

This report covers the work of the Committee during the year. It followed on from shareholders approving 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 have since sought to build on this approval to ensure an appropriate remuneration structure is in place for the Group.

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.

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) Consultation with Shareholders on the LTIP

Part of the support from shareholders has been on implementation of the LTIP. During the second half of 2021 and in early 2022, 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.

### (b) Implementation of LTIP

After full and careful consideration, and in line with the feedback from shareholders set out above, the Committee implemented the LTIP in 2022 on the following bases:

1. Awards were to 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 were 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 was linked to EBITDA performance. If EBITDA in 2024 fell below the following range, no vesting would take place. The full entitlement would only vest if Group EBITDA in 2024 meets or exceeds the top end of the following range. Vesting within this range would 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 was to be as follows: US$ 78 million–US$ 95 million.

   Vesting from the lower end of this range was to increase 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 was subject to the rules of the LTIP.

4. As regards the other half of the awards, this was linked to performance in terms of net profit. No vesting was to take place if Group net profit in 2024 fell below the following range. The full amount would only vest if net profit in 2024 met or exceeded the top end of the following range. Vesting within this range would 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 was to be as follows: US$ 38 million-US$ 47 million.

   Vesting from the lower end of this range was to increase on a pro-rata basis commencing from zero to the 25% threshold based on actual performance, as permitted under the Directors' Remuneration Policy.

   This target was to 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 was subject to the rules of the LTIP.

5. In addition, there was an underpin condition such that no awards would 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 was to be excluded from the calculation.

6. Awards were granted after the announcement of the Group's results for 2021 in June 2022 equivalent to approximately 1% of the share capital of the Company. This overall total (valued at the date of award at approximately GBP 600,000 compared 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 award).

7. Only the most senior executives and management in the Company received awards – The Executive Chairman and other members of Senior Management.

8. Subject to rules of the LTIP and standard good leaver provisions, awards would lapse if the individual left the Group before the awards have vested.

The underpin condition referred to in 5 above was not met and therefore all these awards lapsed as the debt leverage in the Group exceeded 4.0 times EBITDA at 31 December 2022.

The Remuneration Committee has decided to defer consideration of the grant of further LTIP awards until after the net debt leverage of the Group is below 4 x EBITDA.

### (c) Updates to Salary and Annual Bonus

**Executive Chairman**

The Remuneration Committee determined Mansour Al Alami's remuneration is at an appropriate level, which includes an annual salary of AED 1,536,000. No annual increase to Mr Al Alami's salary has been made since his appointment, and he received no bonus in respect of 2022.

**Employees**

There was an underpin condition that the 2022 annual bonus would not be payable unless the debt leverage in the Group fell below 4.0 times EBITDA at 31 December 2022. The criteria for the 2022 annual bonus were not met and hence were not paid.

The annual bonus potential for 2023 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:

- 30% weighting on EBITDA;
- 15% weighting on EBITDA margin;
- 15% weighting on securing contracts for 2024 Revenues;
- 15% weighting on securing contracts for 2025 Revenues;
- 25% weighting on achieving target leverage; and
- subject to an over-riding discretion to vary outcomes if a payment is not justified by overall performance and developments in the Group.

### Conclusion

I believe the extensive work undertaken over the past two years, 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
23 April 2023

## 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 market practices in countries where we operate, whilst providing an appropriate balance between fixed and variable pay that supports the delivery of the Group's strategy.

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

- **Clarity**
  The Policy seeks to be transparent and promote effective engagement with shareholders and the workforce.
- **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

<table>
<tr><th>Element of Pay</th><th>Purpose and Link to Strategy</th><th>Operation</th><th>Maximum Opportunity</th><th>Performance Criteria</th></tr>
<tr><td>Base salary</td><td>• 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</td><td>• Normally reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities<br>• The level of base salary reflects the experience and capabilities of the individual as well as the scope and scale of the role<br>• Any increases to base salary will take into account individual performance as well as the pay and conditions in the workforce</td><td>• 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<br>• When determining the level of any change in compensation, the Committee takes into account:<br>– Remuneration levels in comparable organisations in the UAE and the GCC<br>– Remuneration levels in the international market<br>– Increases for the workforce generally<br>– Changes to an individual's role, including any additional responsibilities</td><td>• N/A</td></tr>
<tr><td>Annual Bonus</td><td>• To encourage and reward delivery of the Group's annual strategic, financial and operational objectives</td><td>• Performance measures and targets are reviewed annually by the Committee and are linked to the Group's key strategic and financial objectives<br>• Annual bonus will normally be paid wholly in cash up to 100% of base salary<br>• Annual bonus in excess of 100% of base salary will normally be deferred in GMS shares for up to two years<br>• The Committee has the discretion to defer a greater proportion of the annual bonus in GMS shares<br>• 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<br>• 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</td><td>• 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)</td><td>• The annual bonus will be based on Group financial performance, other than where the Committee deems appropriate to include additional specific measures<br>• 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.<br>Performance below threshold, as shown in the Corporate Scorecard, results in zero payment. Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets.<br>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</td></tr>
</table>

| 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<br>• 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<br>• Performance targets are reviewed annually by the Committee and are set at such a level to motivate management and incentivise out-performance<br>• If the Committee decides it to be appropriate at the time, awards may be cashed out instead of being satisfied in shares<br>• 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<br>• 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<br>• A two-year post-vesting holding period will normally apply | • Normal maximum opportunity of 200% of base salary (exceptional limit of 300% of base salary) | • Performance is assessed against metrics which will normally include a financial measure, such as EBITDA, and/or a net profit<br>• 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for achievement of maximum performance targets<br>• 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<br>• 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<br>• 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<br>• A new appointment will be expected to reach this guideline in three to five years post-appointment<br>• Executive Directors are required to retain 50% of the shares (net of tax) vesting under the incentive schemes until the guideline has been achieved<br>• 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.

## 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.

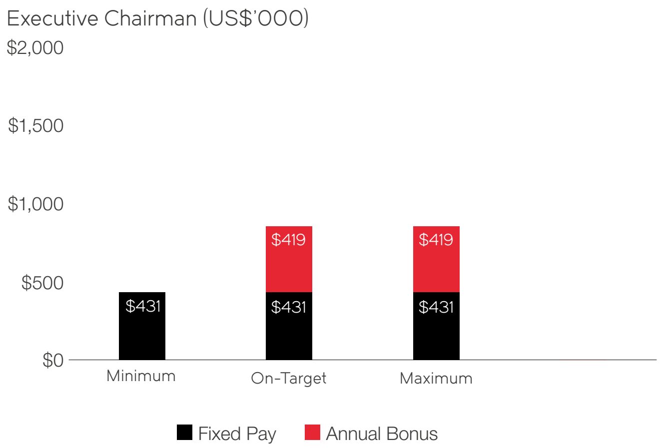
## Payments Under Previous Policies

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 2023 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 the annual bonus. At on-target and at maximum, 100% of the annual bonus is earned equivalent to 100% of basic salary subject to approval by remuneration committee.
3 The table above does not include 7,000,000 options awarded to Mansour Al Alami during the year. The non-market conditions attached to these awards were not met, thus no part of the award will vest.

For further details see page 54 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 50.

### 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 53 to 54.

### 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 AGM received the following votes from shareholders:

| | Remuneration Policy (2021 AGM) | | Remuneration Report (2022 AGM) | |
|---|---|---|---|---|
| | Votes | % | Votes | % |
| Votes in favour | 394,480,051 | 90.97% | 646,490,272 | 99.28% |
| Votes against | 39,151,228 | 9.03% | 4,689,278 | 0.72% |
| Total votes | 433,631,279 | 100.00% | 651,179,550 | 100.00% |
| Votes withheld | 14,539 | – | 219,560 | – |

### 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.<br><br>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.<br><br>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.<br><br>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).<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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).<br><br>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<br>• 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
23 April 2023

## 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 2023 AGM. Sections of this report that are subject to audit have been indicated.

### Shareholder Voting At AGM

The 2022 Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2023 AGM. Votes cast by proxy and at the 2022 AGM in respect of the Directors' Remuneration Report. At the 2021 AGM the Directors Remuneration Policy was approved with the following results:

| Resolution | Votes for | % of Votes for | Votes Against | % of Votes Against | Votes Withheld | Total Votes Cast |
|---|---|---|---|---|---|---|
| To approve the Directors' Remuneration Report for the year ended 31 December 2021 | 646,490,272 | 99.28% | 4,689,278 | 0.72% | 219,560 | 651,179,550 |
| Directors' Remuneration Policy approved at 2021 AGM[1] | 394,480,051 | 90.97% | 39,151,228 | 9.03% | 14,539 | 433,631,279 |

1 The Director's Remuneration Policy is subject to review every three years

### External Advice Received

In carrying out their responsibilities, the Committee seeks external advice as necessary. In 2022, 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 2022 (Audited)

The table below summarises Directors' remuneration in respect of 2022.

| | | 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[6] | **2022** | **419** | **12** | **24** | **455** | **–** | **–** | **–** | **–** | **455** |
| | 2021 | 419 | 30 | – | 449 | 210 | – | – | 210 | 659 |
| **Executive Director** Steve Kersley[5] | **2022** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | 2021 | 70 | 16 | 7 | 93 | – | – | – | – | 93 |

1 Allowances include fixed cash and reimbursable allowances for air travel and transport. Other benefits include accommodation, private medical insurance for the executive and immediate family, death in service insurance and disability insurance. The amounts are shown as per actual expenditures.
2 End of service gratuity is the provision accrued for in the year in accordance with UAE Labour Law. Please refer to page 64 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 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 2022 (Audited)

For 2022 the maximum annual bonus opportunity was set at 100% of base salary. The annual bonus was assessed against the following financial objectives which produced a formulaic outcome of 40.9% as set out in the table below.

| Measure | Weighting | Performance Range (from Zero to Full Pay-out) | Result | % of Base Salary Payable |
|---|---|---|---|---|
| EBITDA | 55% | US$ 68.7 million – US$ 80.0 million | US$ 71.1 million | 9.1% |
| EBITDA margin | 15% | 50.9% – 58.0% | 53.0% | 3.8% |
| Securing contract % of 2023 budget revenue | 15% | 60% – 75% | 84.0% | 15.0% |
| Securing contract % of 2024 budget revenue | 15% | 35% – 50% | 48% | 13.0% |
| **Total** | | | | **40.9%** |

| | | Threshold | On Target | Maximum |
|---|---|---|---|---|
| 1 | EBITDA* | | | |
| | **Value** | <US$ 68.7 million | US$ 76.9 million | US$ 80.0 million |
| | **Score** | 0 | 35% | 55% |
| 2 | EBITDA Margin* | Threshold | On Target | Maximum |
| | **Percent** | <50.9% | 56.0% | 58.0% |
| | **Score** | 0 | 10% | 15% |
| 3 | Securing Contracts % of 2023 Budget Revenue* | Threshold | On Target | Maximum |
| | **Percent** | 60% | 70% | 75% |
| | **Score** | 0 | 10% | 15% |
| 4 | Securing Contracts % of 2024 Budget Revenue* | Threshold | On Target | Maximum |
| | **Percent** | 35% | 45% | 50% |
| | **Score** | 0 | 10% | 15% |

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

Management has considered the above results and decided no bonus for 2022 would be paid.

## LTIP Awards Vesting for 2022 and Directors' Interests in Share Plan Awards (Audited)

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

## Executive Directors

### End of Service Gratuity

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

## Director's Pension Entitlement (Audited)

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

## Statement of Implementation of Directors' Remuneration Policy in 2022

### Base Salary in 2022

| | Base Salary from 1 January 2023 US$'000 | Base Salary from 1 January 2022 US$'000 | % Change |
|---|---|---|---|
| Mansour Al Alami | 419 | 419 | 0% |

## Statement of Implementation of Directors' Remuneration Policy in 2022 continued

### Allowances and Benefits for 2022

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

| | Base Salary from 1 January 2023 US$'000 | Base Salary from 1 January 2022 US$'000 | % Change |
|---|---|---|---|
| Mansour Al Alami | 12 | 12 | 0% |

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

### Annual Bonus for 2023

For 2023 the maximum bonus opportunity will be 100% of base salary. Any proportion determined by the Remuneration Committee will be deferred into shares under the Deferred Bonus Plan. The annual bonus for executive Directors will be based on Group financial performance, weighted as follows:

| Measure | Weighting |
|---|---|
| EBITDA | 30% |
| EBITDA Margin | 15% |
| 2024 Secured revenue | 15% |
| 2025 Secured revenue | 15% |
| Achieving target leverage | 25% |
| **Total** | **100%** |

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 2022 US$'000 | Fees 2021 US$'000 | Total remuneration 2022 US$'000 | Total remuneration 2021 US$'000 |
|---|---|---|---|---|
| **Chairman** | | | | |
| Mansour Al Alami | **–** | – | **–** | – |
| **Chairman total** | **–** | – | **–** | – |
| **Non-executive Directors[1]** | | | | |
| Rashed Al Jarwan | **62** | 74 | **62** | 74 |
| Hassan Heikal | **–** | – | **–** | – |
| Jyrki Koskelo[2] | **62** | 62 | **62** | 62 |
| Lord Anthony St John of Bletso[3] | **62** | 39 | **62** | 39 |
| Charbel El Khoury[4] | **–** | – | **–** | – |
| Saeed Mer Abdulla Al Khoory[5] | **–** | 6 | **–** | 6 |
| **Non-executive Director total** | **186** | 181 | **186** | 181 |

1 The Non-executive Directors' remuneration is paid in Pound Sterling and reported in US$ using an exchange rate of US$ 1.25/£1 for 2022.
2 Jyrki Koskelo was appointed to the Board effective 5 February 2021.
3 Lord Anthony St John of Bletso was appointed to the Board effective 26 May 2021.
4 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.
5 Saeed Mer Abdulla Khoory died in February 2021.

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

The beneficial interests of the Directors and connected persons in the share capital of the Company at 31 December 2022 were as follows:

| | At 31 December 2022 | At 31 December 2021 | Shareholding Ownership Requirement Met? | Outstanding LTIP Awards |
|---|---|---|---|---|
| Mansour Al Alami | 2,571,000 | 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 | – |

* Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours. Full details of LTIP awards are set out on page 64.

## Fees for the Executive Chairman and Non-Executive Directors (Audited)

The non-executive Directors' remuneration is determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual non-executive Directors do not take part in 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 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 Bonus for the Executive Chairman in the 2022 financial year, compared to that for employees of the Group as a whole:

| Measure | % Change |
|---|---|
| **Executive Chairman** | |
| Base salary | 0% |
| Allowances and benefits | -60% |
| Bonus | -100% |
| **All employees** | |
| Base salary | 4% |
| Allowances and benefits | 12% |
| Bonus | -100% |

## Annual Percentage Change in Director and Employee Remuneration

The table below shows the annual percentage change in paid fixed remuneration of base salary, allowances and benefits of Directors and employees in 2022 compared to 2021 and 2021 compared to 2020:

| | 2022 Versus 2021 | | | 2021 Compared to 2020 | | |
|---|---|---|---|---|---|---|
| | Base Salary | Benefits | Annual Bonus | Base Salary | Benefits | Annual Bonus |
| Mansour Al Alami[1] | 0% | -60% | -100% | 673% | 1,238% | N/A |
| Rashed Al Jarwan[2] | -16% | N/A | N/A | 643% | N/A | N/A |
| Saeed Mer Abdulla Khoory | -100% | N/A | N/A | -32% | N/A | N/A |
| Jyrki Koskelo | 0% | N/A | N/A | N/A | N/A | N/A |
| Lord Anthony St John of Bletso[3] | 61% | 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 |
| Chief Financial Officer [4] | N/A | N/A | N/A | -53% | -80% | -22% |
| FTEs | 4% | 12% | -100% | 1% | 2% | 30% |

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 Lord Anthony St John of Bletso was appointed to the Board effective 26 May 2021.
4 The Chief Executive Officer role was held by three people in 2020 as Duncan Anderson was on gardening leave until August 2020. 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 2022 and 2021 financial years, compared to returns to shareholders through dividends:

| | 2022 US$'000 | 2021 US$'000 | % Change |
|---|---|---|---|
| Overall expenditure on pay | **26,845** | 31,039 | -14% |
| Dividends and share buybacks | **–** | – | 0% |

## Committee Remit and Membership

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

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

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

The composition of the Committee at 31 December 2022 is in compliance with the Code which provides that all members of the Committee should be independent non-executive Directors.

I 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, 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 two occasions during 2022. Members' attendance at those meetings is shown on page 39. The Committee also held informal discussions as required.

## Performance Evaluation of the Committee

The performance of the Committee was evaluated, as part of the overall Board evaluations reported on in the report of the Nomination Committee on page 51.

## 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 23 April 2023 for presentation to shareholders at the AGM.

**Lord Anthony St John of Bletso**
Remuneration Committee Chairman
23 April 2023

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 37 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 2022.

The Corporate Governance Reports on pages 38 to 72 include summaries of the operations of the Board and its committees, and information regarding the Group's compliance with the Code during 2022.

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 | Page 64 |
| Waiver of emoluments by a Director | Pages 65 to 66 |
| 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
Lord Anthony St John of Bletso
Charbel El Khoury
Jyrki Koskelo

There have been no changes to the Board between 31 December 2022 and the date of this report. Biographical details of the current Directors are set out on pages 40 to 41. The beneficial interests of the Directors and connected persons in the share capital of the Company are set out on page 66 of the Report of the Remuneration Committee.

## Powers of Directors

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

## Appointment and Replacement of Directors

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

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

## Section 172(1) of the Companies Act 2006

For information on how the Directors have engaged with employees, how they have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, please refer to page 12. Please also refer to pages 20 to 21 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 11 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 2022, the Company was party to the following significant agreements that take effect, alter or terminate, or have the potential to do so, on a change of control of the Company:

### Share Incentive Schemes

The Company's share-based employee incentive plans detailed in the Report of the Remuneration Committee on pages 53 to 54 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 2022 can be found in Note 13 to the consolidated financial statements, on page 108. The Company's share capital comprises ordinary shares with a nominal value of 2p each, which are listed on the London Stock Exchange.

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

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

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

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

At the 2022 GM ("General Meeting") held on 19 October 2022, the Directors were granted a general authority to allot up to 338,804,850 new shares equal to approximately one-third of the issued share capital of the Company at the date of the 2022 notice of Annual General Meeting ("AGM"). The Directors were also then granted an additional authority to allot up to 338,804,850 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. 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.

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

In addition to ordinary shares, the Company previously had in issue deferred shares of 8 pence each, issued at the time of the capital reorganisation in June 2021. These deferred shares had no voting or dividend rights, and on return of capital on a winding up, had no valuable economic rights.

At the 2022 AGM, an ordinary resolution was passed in relation to the buyback of deferred shares. This resolution approved the terms of an agreement to be made between the Company and the holders of the deferred shares for the purchase by the Company of all of the deferred shares in issue for an amount not exceeding £1.00 in aggregate.

That agreement was subsequently attended to and implemented after which the deferred shares were cancelled.

## 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 2022 Number of Shares | As At 31 December 2022 % of Share Capital | As At 21 February 2023 Number of Shares | As At 21 February 2023 % of Share Capital |
|---|---|---|---|---|
| Seafox International Limited | 304,822,732 | 29.99% | 304,822,732 | 29.99% |
| Mazrui Investments LLC | 260,180,095 | 25.60% | 260,180,095 | 25.60% |
| Castro Investments Ltd | 34,378,680 | 3.38% | 34,378,680 | 3.38% |
| Mr Ivan Lindsay Brunette | 32,302,977 | 3.18% | 32,302,977 | 3.18% |

## 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 24 to 31 and forms part of this report by reference. The Group's financial risk management objectives and policies, including the use of financial instruments, are set out in Note 27 to the consolidated financial statements on pages 113 to 117.

## Post Balance Sheet Events

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

## Likely Future Developments

Information in respect of likely future developments in the business of the Company can be found in the Strategic Report on pages 1 to 37 and forms part of this report by reference.

## Research and Development

The Group did not undertake any research and development activities during the year (2021: none).

## Political Donations

The Group made no political donations and incurred no political expenditure during the year (2021: 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 37 and pages 38 to 72.

## 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 10 to 11 and forms part of this report by reference.

## Dividends

No dividend is to be paid or proposed for 2022 (2021: nil).

## Going Concern

The Group's Directors have assessed the Group's financial position for a period through to June 2024 and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

The Group has reported a profit for the second consecutive year and is expected to continue to generate positive operating cash flows for the foreseeable future especially considering a better market outlook.

The Group was in a net current liability position as at 31 December 2022 amounting to US$ 15.8 million (31 December 2021: net current assets of US$ 4.2 million). Despite the reduction in the current asset ratio from 31 December 2021 to 31 December 2022, the Group closely monitors its liquidity and is confident to meet its short term liabilities obligations. The Group made a loan prepayment of US$3.8 million in Q4 2022 which reduced the current assets (Cash) and the non-current liabilities (Bank loan) at the year end, leading to a reduction in the current ratio. The loan prepayment was made after taking into account the forecast cash inflows in Q1 2023, being sufficient to meet Group's short-term obligations.

The Group has also fully repaid its Working Capital Facility (Non-Current Liability) during the year, with payments of US$21.5 million. The Working Capital Facility is still available for short term needs. It expires alongside the main debt facility in June 2025 and was accordingly classified as non-current liability in the prior period.

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.

A downside case was prepared by management. Based on this scenario, the Group would not be in breach of its term loan facility. The downside case is considered severe but plausible and would still leave the Group with US$ 15.5 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the assessment period.

In addition to the above reasonably plausible downside sensitivity, the Directors have also considered a reverse stress test, where profit has been sufficiently reduced to breach the net leverage ratio as a result of a combination of reduced utilisation and day rates. Refer to the Going Concern section in Note 3 of consolidated financial statements for assumptions around the downside case and the reverse stress test.

Based on the reverse stress test there would be covenant breaches as Finance Service Cover and Interest Cover ratios would exceed the permitted levels at 30 June 2024. Should low/mild impact circumstances arise that differ from the Group's projections, the Directors plan a number of mitigating actions that 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. Needless to say, should the front winds described in the risk section be of high magnitude, potential mitigating measures may not be sufficient. Potential mitigating actions are disclosed in Note 3 of the consolidated financial statements.

GMS continues to remain cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The impact of climate change is expected to be insignificant in the going concern assessment period.

During January 2023, a customer of the Group entered administration. Management has ascertained that the impact of their administration is not going to affect the ability of the Group to operate as a Going Concern. As at the reporting date, the Group has provided for 50% of the receivable balance amounting to US $1.92 million. See *Note 38*.

The Group's forecasts, having taken into consideration reasonable risks and downsides, indicate that its current bank facilities along with higher utilisation secured at increased day rates and a strong pipeline of near-term opportunities for additional work 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.

## 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

In 2022 the Board, on the recommendation of its Audit and Risk Committee, appointed KPMG following the audit tender process as external auditor of the Company. They were subsequently reappointed at the 2022 AGM. KPMG will again be proposed for reappointment by shareholders at the forthcoming AGM.

## Annual General Meeting

Details of the Company's 2023 AGM are included in the Notice of AGM accompanying this Annual Report. The Notice of AGM sets out the business of the meeting and includes an explanation of all resolutions to be proposed. Separate resolutions will be proposed in respect of each substantive issue. The AGM is also used by the Board to take account of views expressed by shareholders and proxy bodies at and following AGMs, updating future proposals as and when appropriate.

By order of the Board.

**Tony Hunter**
Company Secretary
23 April 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Directors' Responsibility Statement

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

This responsibility statement was approved by the Board of Directors on 23 April 2023 and is signed on its behalf by:

**Mansour Al Alami**
Executive Chairman
23 April 2023

**Rashed Al Jarwan**
Senior Independent Director
23 April 2023

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the financial statements of Gulf Marine Services Plc ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2022 set out on pages 80 to 138, which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated statement of cash flows and related notes, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is UK Law, UK adopted international accounting standards and, as regards the Company financial statements, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for Opinion

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

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

## Conclusions Relating to Going Concern

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

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

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

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

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

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

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

### Detecting Irregularities Including Fraud

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

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

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

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

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

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

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

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

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

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

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

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

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

**Key Audit Matters: Our Assessment of Risks of Material Misstatement**

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

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

**Impairment and Impairment Reversals of the Group's Vessels (net Reversal: US$ 7.8 Million) and Company's Investment in Subsidiary (reversal US$ 18.8 Million)**

*Refer to page 93 (Group accounting policy), pages 100 to 104 (Group financial disclosures), page 132 (Parent Company accounting policy) and pages 132 to 134 (Parent Company financial disclosures)*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group's vessels are the largest balance in the Group financial statements, with a carrying amount of US$ 549.7 million at 31 December 2022 (2021: US$ 560.9 million).<br><br>As described in Note 5 certain factors, such as the improvement in day rates, utilisation and the market outlook underpinned by an increased oil price and production environment were indications that the value of the marine vessels may have increased as of 31 December 2022 compared to 31 December 2021, whilst an increased interest rate environment during this period might result in the reduction of those values. As a result of these triggering events, the Group undertook an assessment of the recoverability of the carrying value of its marine vessels as of 31 December 2022. This assessment involved comparing the carrying value of each vessel, which is deemed by the Group to be an individual cash generating unit ('CGU'), with its respective recoverable amount, being the higher of value in use ('VIU') and fair value less cost to sell. Following this assessment the Group recognised a net impairment reversal of US$ 7.8 million in the year ended 31 December 2022 for its vessels.<br><br>As with the prior year, a fair valuation was conducted in compliance with Group's bank lending arrangements of the Group's marine vessels as at 31 December 2022. As described in Note 4, management concluded that recoverable amount of each vessel should be based on VIU. The calculation of VIU is underpinned by assumptions, notably day and utilisation rates and the nominal pre-tax discount rate. As disclosed in Note 4, these assumptions, particularly the respective vessel' day and utilisation rates beyond their contracted term, are identified as key sources of estimation uncertainty and judgment.<br><br>Due to the sensitivity of the recoverable amounts to these key assumptions and the subjectivity and judgement involved impacting the net impairment reversal in the current year, we identified a key audit matter relating to these assumptions with regard to the Group's vessels. Furthermore, we also identified a potential for management bias through possible manipulation of these assumptions and the resulting recoverable amount.<br><br>The carrying amount of Company's investment in its subsidiaries represents 78% (2021: 84%) of the Company's total assets. The recoverability of investments is primarily impacted by the VIU of the marine vessels owned by the Company's subsidiary undertakings. | Our key audit procedures are described below.<br>• We obtained an understanding of the relevant control surrounding management's preparation of the discounted cash flow model (VIU), including the assumed day and utilisation rates and the rate applied to discount the cash flows;<br>• We tested by inspection and enquiry the reasonableness of the valuation methodology and key assumptions underpinning the fair value less cost to sell of the Group's vessels as of 31 December 2022 reported by the external valuer appointed by the Group's lending banks. We also assessed for reasonableness the competence, capabilities and objectivity of that expert;<br><br>With respect to the VIU model, we:<br>• tested its mathematical accuracy<br>• challenged the reasonableness of the assumed day and utilisation rates by reading contracts for secured backlog, assessing likelihood of current pipeline opportunities by inspecting underlying evidence such as tender documents and corroborating these key assumptions through enquires of the Group's commercial management team, and considering the historical rates achieved for individual vessels to assess whether forward looking assumptions are within a reasonable range;<br>• inspected the report on forecast day and utilisation rates indicated by an external assessor for the Group's marine vessels, particularly with respect to those rates beyond the respective vessels' contracted terms and also discussed these key assumptions with that external assessor as part of our procedures to assess these assumptions for reasonableness. We also undertook procedures to assess the external assessor's independence, competence and capabilities for the purpose of providing its report;<br>• involved our specialist to assess the reasonableness of the rate applied to discount the forecast cash flows to their present value;<br>• agreed the operating and capital expenses assumed in the model to the Group's approved budget and assessed the reasonableness of these assumptions by performing a retrospective budget versus actual analysis to gauge management's historical forecasting accuracy and analytically reviewing forecast costs against historical levels;<br>• Assessed whether there was any evidence of management bias with respect to its VIU calculations; and<br>• Performed an overall stand back assessment to determine whether management's VIU estimate was reasonable; |

### Impairment and Impairment Reversals of the Group's Vessels (net Reversal: US$ 7.8 Million) and Company's Investment in Subsidiary (reversal US$ 18.8 Million) continued

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| | • We assessed the impact of the Group's stated commitments around climate change and energy transition on its assumed cash flow projections. We also considered the existence of any contradictory evidence that was identified through the performance of each of these procedures and weighed such evidence in our overall conclusions. Such evidence included the relevant long-term outlook from external industry and market observers; and<br>• We assessed the adequacy and reasonableness of the related disclosures in the financial statements, including the Group vessels' sensitivities to future impairment/impairment reversals and the Parent Company's sensitivity to future impairment/ impairment reversals.<br><br>Based on the above audit procedures we found that the Group's recognition of a net impairment reversal of $7.8 million as of 31 December 2022, and the calculations underpinning it and the related disclosures in note 5 was reasonable. We noted that the Group's carrying value of its marine vessels continues to be sensitive to further impairment or impairment reversal subject to changes in assumed day and utilisation rates and the rate applied to arrive at each vessels' VIU, as described in note 5, and that this assessment is subject to significant estimation and judgment, as described in note 4. We found that the parent Company's investment in subsidiaries and the related impairment reversal to be acceptable.<br><br>We identified that management's controls throughout the process of preparing and reviewing the value in use calculations, were not sufficiently robust to identify errors in the overall assessment. We consider our audit procedures appropriately responded to the control deficiencies identified. |

### Recognition of Charter Hire and Lease Revenue of Group (US$ 115 Million)

*Refer to page 91 (accounting policy) and page 123 (financial disclosures).*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Each of the Group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as a standby rate for when the vessel is available for use but not operational. 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.<br><br>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:<br>• accurately record the number of days both on hire and on standby (to ensure both completeness and accuracy);<br>• apply the correct contractual rates, net of any agreed discounts, to the number of days in each of these categories (to ensure accuracy); and<br>• 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.<br><br>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. | Our key audit procedures are described below.<br><br>We evaluated and tested the design and operating effectiveness of the relevant control in the revenue business process;<br><br>We performed a recalculation of charter hire revenue on the number of days on hire/standby based on customer/third party signed logs and obtained supporting explanations for any gaps and reconciled this to our knowledge of each vessel's operational performance during the period;<br><br>We agreed the respective marine vessel day rates and terms of hire to the underlying contracts;<br><br>For mobilisation and demobilisation revenue, we assessed whether revenue has been recorded in accordance with the terms of the contract and IFRS 15. Further, we also calculated the expected deferred revenue given mobilisation contractual arrangements and compared this with the Group's balances for reasonableness;<br>We tested journals to assess for any evidence of fraudulent revenue recognition; and<br><br>We performed a reconciliation of total billings and total cash receipts during the year, along with year on year movements in revenue related balance to obtain additional high level audit evidence around the completeness, existence and accuracy of revenue recognition.<br><br>Based on the above audit procedures we found an immaterial uncorrected error in the Group's calculation of charter hire revenue, which we have noted as an audit difference in our report to the Audit and Risk Committee. |

## Our Application of Materiality and an Overview of the Scope of Our Audit

Materiality for the Group financial statements as a whole was set at US$ 1 million, determined with reference to a benchmark of total Group revenues of US$ 133 million, of which it represents 0.75% .

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

Materiality for the Parent company financial statements as a whole was set at US$ 1 million, determined with reference to a benchmark of Parent Company's total assets, of which it represents 0.32%.

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

We applied Group and Parent Company materiality to assist us determine the overall audit strategy.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to US$ 0.65 million for the Group and the Parent company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements/control deficiencies/changes in the control environment during the prior period.

As this was the first year as auditor for the Group, our ability to assess the factors which impact on our determination of performance materiality was reduced. In response to this uncertainty in the aggregation risk, we considered it appropriate to set performance materiality at 65% of Group materiality for both Group and Parent Company.

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

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

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

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

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

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

## Opinions on Other Matters Prescribed by the Companies Act 2006

### Strategic report and directors' report

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

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

### Directors' remuneration report

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

## Corporate Governance Statement

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 70 to 71;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 70 to 71;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 70 to 71
- Directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out on page 72;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out on page 24 to 30;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 48; and;
- Section describing the work of the Audit and Risk Committee set out on page 47 to 49.

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

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

We are also required to report to you if a corporate governance statement has not been prepared by the Company.

**We have nothing to report in these respects.**

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

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

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

**We have nothing to report in these respects.**

## Respective Responsibilities and Restrictions on Use

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 72, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

23 April 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|
| Revenue | 30, 33 | **133,157** | 115,127 |
| Cost of sales | | **(78,587)** | (69,398) |
| Impairment loss | | **(13,192)** | – |
| Reversal of impairment | 5, 30 | **20,980** | 14,959 |
| Expected credit losses | 9 | **(1,824)** | (62) |
| **Gross profit** | | **60,534** | 60,626 |
| **General and administrative expenses** | | **(13,212)** | (12,272) |
| **Operating profit** | | **47,322** | 48,354 |
| Finance income | 34 | **11** | 9 |
| Finance expense | 35 | **(20,137)** | (14,463) |
| Foreign exchange loss, net | 36 | **(138)** | (1,002) |
| Other income | 36 | **68** | 28 |
| **Profit for the year before taxation** | | **27,126** | 32,926 |
| Taxation charge for the year | 8 | **(1,724)** | (1,707) |
| **Net profit for the year** | | **25,402** | 31,219 |
| **Other comprehensive income/(expense) – items that may be reclassified to profit or loss:** | | | |
| Net hedging gain reclassified to the profit or loss | 35 | **279** | 278 |
| Net exchange loss on translation of foreign operations | | **(799)** | (91) |
| **Total comprehensive gain for the year** | | **24,882** | 31,406 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **25,326** | 31,001 |
| Non-controlling interests | 19 | **76** | 218 |
| | | **25,402** | 31,219 |
| **Total comprehensive profit attributable to:** | | | |
| Owners of the Company | | **24,806** | 31,188 |
| Non-controlling interests | 19 | **76** | 218 |
| | | **24,882** | 31,406 |
| **Earnings per share:** | | | |
| Basic (cents per share) | 32 | **2.49** | 4.48 |
| Diluted (cents per share) | 32 | **2.47** | 4.46 |

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

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2022

| | Notes | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | **592,955** | 605,526 |
| Dry docking expenditure | 6 | **8,931** | 8,799 |
| Right-of-use assets | 7 | **3,371** | 2,884 |
| **Total non-current assets** | | **605,257** | 617,209 |
| **Current assets** | | | |
| Derivative financial instruments | 11 | **386** | – |
| Trade receivables | 9 | **33,179** | 41,948 |
| Prepayments, advances and other receivables | 10 | **7,722** | 6,969 |
| Cash and cash equivalents | 12 | **12,275** | 8,271 |
| **Total current assets** | | **53,562** | 57,188 |
| **Total assets** | | **658,819** | 674,397 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital – Ordinary | 13 | **30,117** | 30,117 |
| Share capital – Deferred | 13 | **–** | 46,445 |
| Capital redemption reserve | 13 | **46,445** | – |
| Share premium account | 13 | **99,105** | 99,105 |
| Restricted reserve | 14 | **272** | 272 |
| Group restructuring reserve | 15 | **(49,710)** | (49,710) |
| Share based payment reserve | 16 | **3,632** | 3,648 |
| Capital contribution | 17 | **9,177** | 9,177 |
| Cash flow hedge reserve | 11 | **(279)** | (558) |
| Translation reserve | | **(2,885)** | (2,086) |
| Retained earnings | | **149,712** | 124,386 |
| Attributable to the owners of the Company | | **285,586** | 260,796 |
| Non-controlling interests | 19 | **1,988** | 1,912 |
| **Total equity** | | **287,574** | 262,708 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **27,979** | 19,455 |
| Current tax liability | | **6,321** | 5,669 |
| Bank borrowings – scheduled repayments within one year | 22 | **30,000** | 26,097 |
| Lease liabilities | 23 | **1,845** | 1,817 |
| Derivative financial instruments | 11 | **3,198** | – |
| Total current liabilities | | **69,343** | 53,038 |
| **Non-current liabilities** | | | |
| Provision for employees' end of service benefits | 20 | **2,140** | 2,322 |
| Bank borrowings – scheduled repayments more than one year | 22 | **298,085** | 353,429 |
| Lease liabilities | 23 | **1,677** | 1,107 |
| Derivative financial instruments | 11 | **3,198** | 1,793 |
| **Total non-current liabilities** | | **301,902** | 358,651 |
| **Total liabilities** | | **371,245** | 411,689 |
| **Total equity and liabilities** | | **658,819** | 674,397 |

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2023. Registered Company 08860816. They were signed on its behalf by:

**Rashed Al Jarwan**
Senior Independent Director

**Mansour Al Alami**
Executive Chairman

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital – Ordinary US$'000 | Share capital – Deferred US$'000 | Capital redemption reserve US$'000 | Share premium account US$'000 | Restricted reserve US$'000 | Group restructuring reserve US$'000 | Share based payment reserve US$'000 | Capital contribution US$'000 | Cash flow hedge reserve US$'000 | Translation reserve US$'000 | Retained earnings US$'000 | Attributable to the Owners of the Company US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 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 |
| **Other comprehensive income for the year** | | | | | | | | | | | | | | |
| 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 income for the year** | – | – | – | – | – | – | – | – | 278 | (91) | 31,001 | 31,188 | 218 | 31,406 |
| **Transactions with owners of the Company** | | | | | | | | | | | | | | |
| Share based payment charge (*Note 16*,28) | – | – | – | – | – | – | (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) |
| **Total transactions with owners of the Company** | (27,940) | 46,445 | – | 6,025 | – | – | (92) | – | – | – | – | 24,438 | – | 24,438 |
| 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 |
| Profit for the year | – | – | – | – | – | – | – | – | – | – | 25,326 | 25,326 | 76 | 25,402 |
| **Other comprehensive income** | | | | | | | | | | | | | | |
| Net hedging gain on interest hedges reclassified to the profit or loss | – | – | – | – | – | – | – | – | 279 | – | – | 279 | – | 279 |
| Exchange differences on foreign operations | – | – | – | – | – | – | – | – | – | (799) | – | (799) | – | (799) |
| **Total comprehensive income for the year** | – | – | – | – | – | – | – | – | 279 | (799) | 25,326 | 24,806 | 76 | 24,882 |
| **Transactions with owners of the Company** | | | | | | | | | | | | | | |
| Capital reorganisation (*Note 13*) | – | (46,445) | 46,445 | – | – | – | – | – | – | – | – | – | – | – |
| Share based payment charge (*Note 16*,28) | – | – | – | – | – | – | 45 | – | – | – | – | 45 | – | 45 |
| Cash settlement of share-based payments (*Note 27*) | – | – | – | – | – | – | (61) | – | – | – | – | (61) | – | (61) |
| **Total transactions with owners of the Company** | – | (46,445) | 46,445 | – | – | – | (16) | – | – | – | – | (16) | – | (16) |
| **At 31 December 2022** | **30,117** | **–** | **46,445** | **99,105** | **272** | **(49,710)** | **3,632** | **9,177** | **(279)** | **(2,885)** | **149,712** | **285,586** | **1,988** | **287,574** |

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

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|
| **Net cash generated from operating activities** | 37 | **82,565** | 40,511 |
| **Investing activities** | | | |
| Payments for additions of property and equipment | | **(3,345)** | (7,898) |
| Dry docking spend excluding drydock accruals | | **(2,970)** | (3,609) |
| Interest received | | **11** | 9 |
| **Net cash used in investing activities** | | **(6,304)** | (11,498) |
| **Financing activities** | | | |
| Repayment of bank borrowings | | **(51,445)** | (30,983) |
| Interest paid on bank borrowings | | **(17,525)** | (12,950) |
| Principal elements of lease payments | | **(2,524)** | (2,342) |
| Settlement of derivatives | | **(384)** | (1,033) |
| Payment of issue costs on bank borrowings | | **(148)** | (3,615) |
| Interest paid on leases | | **(170)** | (147) |
| Share issue costs paid | | **–** | (3,228) |
| Cash settled share–based payments | | **(61)** | – |
| Proceeds from issue of shares | | **–** | 27,758 |
| Bank borrowings received | | **–** | 2,000 |
| **Net cash used in financing activities** | | **(72,257)** | (24,540) |
| **Net increase in cash and cash equivalents** | | **4,004** | 4,473 |
| **Cash and cash equivalents at the beginning of the year** | | **8,271** | 3,798 |
| **Cash and cash equivalents at the end of the year** | 12 | **12,275** | 8,271 |
| **Non-cash transactions** | | | |
| (Cancellation)/recognition of deferred shares | | **(46,445)** | 46,445 |
| Recognition of right-of-use asset | | **3,122** | 1,955 |
| (Reversal)/addition to capital accruals | | **(9)** | 408 |
| Increase in drydock accruals | | **2,775** | 302 |

The attached notes 1 to 38 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 2021, except for the adoption of new standards and interpretations effective as at 1 January 2022.

### New and Revised IFRSs

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

| | Effective for annual periods beginning on or after |
|---|---|
| COVID-19 – Related Rent Concessions – Amendments to IFRS 16 *Leases* | 1 April 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. | |
| 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 | 1 January 2022 |

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).

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 16 – *Property, Plant and Equipment* – Proceeds before Intended Use | 1 January 2022 |

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.

| | |
|---|---|
| Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework | 1 January 2022 |

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.

### New and Revised IFRSs in Issue but Not Yet Effective
At the date of authorisation of these consolidated financial statements, the following new and revised IFRSs were in issue but not yet effective:

| | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current | 1 January 2023 |

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.

| | |
|---|---|
| IFRS 17 *Insurance Contracts* | 1 January 2023 |

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

## 2 Adoption of New and Revised International Financial Reporting Standards (IFRS) continued

**New and Revised IFRSs in Issue but Not Yet Effective** continued

| | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* – Disclosure of Accounting Policies | 1 January 2023 |

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.

| | |
|---|---|
| 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.

| | |
|---|---|
| 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 | Not stated |

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.

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 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.

In accordance with IAS 1, we have disclosed the expected credit loss (ECL) provision separately within the consolidated statement of profit or loss and statement of other comprehensive income.

The principal accounting policies adopted are set out below.

### Going Concern

The Group's Directors have assessed the Group's financial position for a period through to June 2024 and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

The Group has reported a profit for the second consecutive year and is expected to continue to generate positive operating cash flows for the foreseeable future especially considering a better market outlook.

The Group was in a net current liability position as at 31 December 2022 amounting to US$ 15.8 million (31 December 2021: net current assets of US$ 4.2 million). Despite the reduction in the current asset ratio from 31 December 2021 to 31 December 2022, the Group closely monitors its liquidity and is confident to meet its short term liabilities obligations. The Group made a loan prepayment of US$3.8m made in Q4 2022 which reduced the current assets (Cash) and the non-current liabilities (Bank loan) at the year end, leading to a reduction in the current ratio. The loan prepayment was made after taking into account the forecast cash inflows in Q1 2023, being sufficient to meet Group's short-term obligations.

The Group has also fully repaid its Working Capital Facility (Non-Current Liability) during the year, this required payments of US$21.5m. The Working Capital Facility is still available for short term needs. It expires alongside the main debt facility in June 2025 and was accordingly classified as non-current liability in prior period.

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$ 30.7k for the 18-month period to 30 June 2024;
- 92% forecast utilisation for the 18-month period to 30 June 2024;
- strong pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

A downside case was prepared using the following assumptions:

- no work-to-win in 2023;
- an 11 percent reduction in work to win utilisation in H1 2024;
- a reduction in day-rates for a K-Class vessel assumed to have the largest day rate, by 10% commencing from May 2023; and
- increase in forecast interest rate by 10 percent in H1 2024.

Based on the above scenario, the Group would not be in breach of its term loan facility. The downside case is considered to be severe but plausible and would still leave the Group with US$ 15.5 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the assessment period.

## 3 Significant Accounting Policies continued

In addition to the above reasonably plausible downside sensitivity, the Directors have also considered a reverse stress test, where profit 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 2023;
- a 16 percent reduction in work to win utilisation in H1 2024;
- a reduction in day-rate for a K-Class vessel assumed to have the largest day rate after expiry of the current secured period; and
- increase in forecast interest rate by 10 percent in H1 2024.

Based on the above scenario there will be covenant breaches as Finance Service Cover and Interest Cover ratios would exceed the permitted levels at 30 June 2024. Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due (refer to *Note 21* for maturity profiles) and in order to maintain liquidity. Potential mitigating actions include the following:

- 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; and
- reduction in overhead costs, particularly, bonus payments estimated at US$ 125k per month.

GMS continues to remain cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The impact of climate change is expected to be insignificant in the going concern assessment period.

During January 2023, a customer of the Group entered administration. Management has ascertained that the impact of their administration is not going to affect the ability of the Group to operate as a Going Concern. As at the reporting date, the Group has provided for 50% of the receivable balance amounting to US $1.92 million. See *Note 38*.

The Group's forecasts, having taken into consideration reasonable risks and downsides, indicate that its current bank facilities along with higher utilisation secured at increased day rates and a strong pipeline of near-term opportunities for additional work 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.

### Basis of Consolidation

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

Details of GMS's subsidiaries at 31 December 2022 and 2021 are as follows:

| | | | Proportion of Ownership Interest | | |
|---|---|---|---|---|---|
| Name | Place of Registration | Registered Address | 2022 | 2021 | 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 |

| Name | Place of Registration | Registered Address | Proportion of Ownership Interest 2022 | 2021 | Type of Activity |
|---|---|---|---|---|---|
| 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 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” |
| Offshore Maritime Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Dormant |
| Offshore Tugboat Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Dormant |
| Offshore Boat Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Kawawa” |
| Offshore Kudeta Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Kudeta” |
| GMS Endurance Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Endurance” |
| GMS Enterprise Investment SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Enterprise” |
| GMS Sharqi Investment SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Sharqi” |
| GMS Scirocco Investment SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Scirocco” |
| GMS Shamal Investment SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Shamal” |
| GMS Keloa Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Keloa” |
| GMS Pepper Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Pepper” |
| GMS Evolution Invt SA | Panama | Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama | **100%** | 100% | Owner of Barge “Evolution” |

## 3 Significant Accounting Policies continued

### Basis of Consolidation continued

| Name | Place of Registration | Registered Address | Proportion of Ownership Interest 2022 | 2021 | Type of Activity |
|---|---|---|---|---|---|
| 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 |

* Held directly by Gulf Marine Services PLC.
** Company winding up procedures have commenced

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

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

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

## Revenue Recognised Over Time

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

**Performance obligation 1 – Charter revenue, contract mobilisation revenue, revenue from messing and accommodation services, and manpower income**
Chartering of vessels, mobilisations, messing and accommodation services and manpower income are considered to be a combined performance obligation as they are not separately identifiable and the Group's clients cannot benefit from these services on their own or together with other readily available resources. This performance obligation, being the service element of client contracts, is separate from the underlying lease component contained within client contracts which is recognised separately.

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

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

## Revenue Recognised At a Point in Time

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

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

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

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

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

## Leases

### The Group as lessee

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

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

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

## 3 Significant Accounting Policies continued

### Leases continued

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 the year (2021: nil).

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

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

#### The Group as a lessor

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

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

### Property and Equipment

Property and equipment is stated at cost 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 | 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 35 years from the date of construction of the vessel.

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised within administrative expenses in the profit or loss. The depreciation charge for the 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 which relate to major works, overhaul / services, that would normally be carried out during the dry docking, as well as surveys, inspections and third party maintenance of the vessels are initially treated as capital work-in-progress (“CWIP”) of the specific vessel. Following the transfer of these balances to property and equipment, depreciation commences at the date of completion of the survey. Costs associated with equipment failure are recognised in the profit and loss as incurred.

### Capital Work-in-Progress

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

### Impairment of Tangible Assets

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

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

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

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

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

### 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.

## 3 Significant Accounting Policies continued

### Borrowing Costs

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

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

### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Restructuring

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

### Employees' end of Service Benefits

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

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

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

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

The total expense recognised in profit or loss of US$ 0.3 million (2021: US$ 0.7 million) (*Note 19*) represents the end of service benefit provision made to employees in accordance with the labour laws of companies where we operate.

### Foreign Currencies

The Group's consolidated financial statements are presented in US Dollars (US$), which is also the functional currency of the Company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

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

## Adjusting Items

Adjusting items are significant items of income or expense in cost of sales, general and administrative expenses, and net finance costs, which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence. Adjusting items together with an explanation as to why management consider them appropriate to adjust are disclosed separately in Note 31. The Group believes that these items are useful to users of the Group 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.

## 3 Significant Accounting Policies continued

### Financial Assets

Financial assets including derivatives are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The Group has the following financial assets: cash and cash equivalents and trade and other receivables (excluding prepayments and advances to suppliers). These financial assets are classified at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group measures financial assets at amortised cost if both of the following conditions are met:
- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As the business model of the Group is to hold financial assets to collect contractual cashflows, they are held at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### Cash and cash equivalents

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

#### Trade receivables

Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before the payment of the consideration is due).

#### Other receivables

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.

The Group recognises specific provisions for bad and doubtful debts, which when assessing the ECLs, are excluded from the ECL provisions. ECLs are recognised in three stages, except for trade and other receivables and contract assets where the Group applies a simplified approach. 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 recognises loss allowances based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The provision rates are grouped together based on days due for various customer segments that have similar loss patterns (geography, customer type and rating and coverage by letters of credit and other forms of credit insurance).

The Group had an expected credit loss provision of US$ 2.0 million as at 31 December 2022 (31 December 2021: US$0.2 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, loans from related parties, amounts due to related parties and contract liabilities are classified at amortised cost and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the EIR method, with interest expense recognised based on its effective interest rate, except for short-term payables or when the recognition of interest would be immaterial.

The EIR method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's loan facility is a floating rate financial liability as interest rates are based on variable LIBOR rates. The Group's accounting policy is to treat the loan as a floating rate financial liability and the Group performs periodic estimations to reflect movements in market interest rates and alters the effective interest rate accordingly.

**Derecognition of financial liabilities**
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated statement of profit or loss and other comprehensive income.

When an existing financial liability is replaced by another on terms which are not substantially modified, the exchange is deemed to be a continuation of the existing liability and the financial liability is not derecognised.

## 3 Significant Accounting Policies continued

### Financial Liabilities and Equity Instruments continued

#### Derivative financial instruments

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).
A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

#### Cash flow hedges

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

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

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

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

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

#### Embedded derivatives

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

## 4 Key Sources of Estimation Uncertainty and Critical Accounting Judgements

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

In applying the Group's accounting policies during the year, there was one critical accounting judgement relating to a subsidiary of the Group that received a tax assessment from the Saudi tax authorities (ZATCA) for an amount related to the transfer pricing of our inter-group bareboat agreement. Management has not recognized a provision for this, and further details of the tax assessment are disclosed in *Note 8*. Also included in Note 8 are estimated penalties, with respect to an open tax related matter.

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 2022. Following this assessment management determined that the recoverable amounts of the cash generating units to which items of property and equipment were allocated, being vessels and related assets, were most sensitive to future day rates, vessel utilisation and discount rate. It is reasonably possible that changes to these assumptions within the next financial year could require a material adjustment of the carrying amount of the Group's vessels.

Management would not expect an assumption change of more than 10% in aggregate for the entire fleet within the next financial year, and accordingly believes that a 10% sensitivity to day rates and utilisation is appropriate.

As at 31 December 2022, the total carrying amount of the property and equipment, drydocking expenditure, and right of use assets subject to estimation uncertainty was US$ 605.3 million (2021: US$ 602.3 million). Refer to Note 5 for further details including sensitivity analysis.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets that are measured at amortised cost or debt instruments measured at fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the EIR.

The Group also recognises specific provisions for bad and doubtful debts, which when assessing the ECLs, are excluded from the ECL provisions.

Management carried out an impairment assessment of trade receivables for the year ended 31 December 2022. Following this assessment management considered the following criteria for impairment:

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.
Management concluded that the Group had an expected credit loss provision of US$ 2.0 million as at 31 December 2022 (31 December 2021: US$0.2 million), refer to Notes 9 and 38 for further details.

## 5 Property and Equipment

| | Vessels US$'000 | Capital work-in-progress US$'000 | Vessel spares, fitting and other equipment US$'000 | Others US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2021 | 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 |
| Additions | – | 3,336 | – | – | 3,336 |
| Transfers | 1,329 | (1,612) | – | 283 | – |
| **At 31 December 2022** | **898,200** | **6,766** | **60,234** | **2,250** | **967,450** |

| | Vessels US$'000 | Capital work-in-progress US$'000 | Vessel spares, fitting and other equipment US$'000 | Others US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2021 | 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 |
| Depreciation expense (*Note 37*) | 20,365 | – | 3,201 | 129 | 23,695 |
| Impairment charge | 13,192 | – | – | – | 13,192 |
| Reversal of impairment | (20,980) | – | – | – | (20,980) |
| **At 31 December 2022** | **348,515** | **2,845** | **21,219** | **1,916** | **374,495** |
| **Carrying amount** | | | | | |
| **At 31 December 2022** | **549,685** | **3,921** | **39,015** | **334** | **592,955** |
| At 31 December 2021 | 560,933 | 2,197 | 42,216 | 180 | 605,526 |

Depreciation amounting to US$ 23.7 million (2021: US$ 22.8 million) has been charged to the profit and loss, of which US$ 23.6 million (2021: US$ 22.7 million) was allocated to cost of sales (*Note 31*). The remaining balance of the depreciation charge is included in general and administrative expenses (*Note 31*).

Vessels with a total net book value of US$ 549.7 million (2021: US$ 560.9 million), have been mortgaged as security for the loans extended by the Group's banking syndicate (*Note 22*).

### Impairment

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

The market capitalisation of the Group has continued to be lower than the net asset value over the past year few years. In previous years, the Group recognised an impairment loss of US$ 59.1m and US$ 87.2m for the year ended 31 December 2019 ("FY19") and for the year ended 31 December 2020 ("FY20") respectively. However, during the year ended 31 December 2021 ("FY21"), historical impairment losses of US$ 14.9m were reversed on several vessels as day rates, utilisation and the market outlook improved.

As at 31 December 2022, and in line with IAS 36 requirements, management concluded that a formal impairment assessment was required. Factors considered by management included favourable indicators, including an improvement in utilization rates, daily chartered rates and an increase in market values of vessels, and unfavourable indicators including a rise in interest rates as well as the market capitalization of the group remaining below the book value of the groups equity.

The Group has again obtained an independent valuation of its vessels as at 31 December 2022 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does not consider these valuations to represent a reliable estimate of the fair value for the purpose of assessing the recoverable value of the Group's vessels, noting that there have been limited if any "willing buyer and willing seller" transactions of similar vessels in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations, management has again concluded that recoverable amount should be based on value in use.

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

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

In estimating the value in use, management estimated the future cash inflows and outflows to be derived from continuing use of each vessel and its related assets for the next four years based on its latest forecasts. The terminal value cash flows (i.e., those beyond the 4-year period) were estimated based on terminal value mid-cycle day rates and utilisation levels calculated by looking back as far as 2014, when the market was at the top of the cycle through to current levels as the industry starts to emerge out of the bottom of the cycle, adjusted for anomalies. The terminal value cash flows approach remained consistent with prior year. Such long-term forecasts also took account of the outlook for each vessel having regard to their specifications relative to expected customer requirements and about broader long-term trends including climate change.

The near-term assumptions used to derive future cash flows reflect contracted rates where applicable and thereafter the market recovery from the COVID-19 pandemic and increased activity in SESV market. 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 National Oil Companies ("NOCs") to increase production and the reliance the local governments have on revenues derived from oil and gas.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount rate of 13.58% (2021: 12.60%) is computed on the basis of the Group's weighted average cost of capital. The cost of equity incorporated in the computation of the discount rate is based on the industry sector average betas, risk-free rate of return as well as Group specific risk premium reflecting any additional risk factors relevant to the Group. The cost of debt is based on the Group's actual cost of debt and the effective cost of debt reported by the peer group as at 31st December 2022. The weighted average is computed based on the industry capital structure. Following consultations with external advisors in 2021, 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. The same companies are used in 2022 as these are deemed to be more specific to GMS's capital structure and management still consider a 1% sensitivity on discount rate to be appropriate.

The impairment review led to the recognition of a net impairment reversal of US$ 7.79 million. The key reason for the reversal is further improvement in general market conditions compared to prior year. This increase is partially offset by an increase in discount rate from 12.60% to 13.58%.

In accordance with the Companies Act 2006, section 841(4), the following has been considered:

a) the directors have considered the value of some/all of the fixed assets of the Group without revaluing them; and
b) the Directors are satisfied that the aggregate value of those assets are not less than the aggregate amount at which they were stated in the Group's accounts.

## 5 Property and Equipment continued

### Impairment continued

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/ (Impairment) 2022 US$'000 | Recoverable Amount 2022 US$'000 | Impairment Reversal 2021 US$'000 | Recoverable Amount 2021 US$'000 |
|---|---|---|---|---|---|
| Endurance | E-Class | 1,820 | 66,933 | 9,013 | 66,289 |
| Endeavour | E-Class | (2,691) | 66,823 | 558 | 73,144 |
| Enterprise | E-Class | (941) | 73,269 | 536 | 78,007 |
| Evolution | E-Class | 5,131 | 85,592 | – | 83,481 |
| **E-class** | | **3,319** | **292,617** | **10,107** | **300,921** |
| Shamal | S-Class | (4,631) | 53,923 | – | 62,614 |
| Scirocco | S-Class | – | 56,398 | – | 65,140 |
| Sharqi | S-Class | – | 58,865 | – | 68,431 |
| **S-class** | | **(4,631)** | **169,186** | **–** | **196,185** |
| Kamikaze | K-Class | (1,984) | 15,475 | 244 | 21,193 |
| Kikuyu | K-Class | 3,333 | 16,874 | 910 | 14,735 |
| Kawawa | K-Class | 2,880 | 16,059 | 1,373 | 13,597 |
| Kudeta | K-Class | (19) | 12,678 | 409 | 13,967 |
| Keloa | K-Class | 7,816 | 21,519 | 1,916 | 13,225 |
| Pepper | K-Class | (2,926) | 51,139 | – | 58,084 |
| **K-class** | | **9,100** | **133,744** | **4,852** | **134,801** |
| **Total** | | **7,788** | **595,547** | **14,959** | **631,907** |

The below table compares the long-term (Terminal value) day rate and utilisation assumptions used to forecast future cash flows from 2027 for the remainder of each vessel's useful economic life against those secured for 2023:

| Vessels class | Day rate change % on 2023 levels | Utilisation change % on 2023 levels |
|---|---|---|
| E-Class CGUs | 34% | (10%) |
| S-Class CGUs | 17% | (1%) |
| K-Class CGUs | 1% | (20%) |

The below table compares the long-term day rate and utilisation assumptions used to forecast future cash flows during the year ended 31 December 2022 against the Group's long-term assumptions in the impairment assessment performed as at 31 December 2021:

| Vessels class | Long term day rate (Terminal value) change % on 2021 assumptions | Long term utilization (Terminal value) change % on 2021 assumptions |
|---|---|---|
| E-Class CGUs | 0.2% | 6.1% |
| S-Class CGUs | 0% | (0.1%) |
| K-Class CGUs | 0% | (0.4%) |

The net impairment reversal recognised on the Group's K-Class vessels primarily reflects an increase in short-term forecast day rates and utilisation, as the Group experiences increased demand in a recovering market. When reviewing the longer-term assumptions, the Group has assumed a lower day rate and utilisation for terminal values to reflect higher competition in the market for smaller vessels.

The net impairment reversal recognised on E-Class vessels reflect further increases primarily in long-term assumptions on utilisation relative to the Group's previous forecasts. The forecast 34% increase in rates relative to 2022 reflects improving 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 and utilization going forward.

Impairment recognised on an S-Class vessel reflect an increase in discount rate and a modest decline in short-term assumptions on utilisation relative to the Group's previous forecasts.

**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)/ impairment reversal of* | | (Impairment)/ impairment reversal of* | |
| E-Class CGUs | 38.0 | 4 | (41.7) | 4 |
| S-Class CGUs | – | 1 | (26.2) | 3 |
| K-Class CGUs | 30.7 | 6 | (18.7) | 6 |
| **Total fleet** | **68.7** | **11** | **(86.6)** | **13** |

* This reversal of impairment/(impairment) is calculated on carrying values before the adjustment for impairment reversals in 2022.

The total recoverable amounts of the Group's vessels as at 31 December 2022 would have been US$ 695.7 million under the increased long-term day rates sensitivity and US$ 495.3 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)/ impairment reversal of* | | (Impairment)/ impairment reversal of* | |
| E-Class CGUs | 25.3 | 4 | (41.7) | 4 |
| S-Class CGUs | (0.1) | 1 | (26.2) | 3 |
| K-Class CGUs | 29.4 | 6 | (18.7) | 6 |
| **Total fleet** | **54.6** | **11** | **(86.6)** | **13** |

* This reversal of impairment/(impairment) is calculated on carrying values before the adjustment for impairment reversals in 2022.

The total recoverable amounts of the Group's vessels as at 31 December 2022 would have been US$ 661.3 million under the increased utilisation sensitivity and US$ 495.3 million for the reduced utilisation sensitivity.

Management would not expect an assumption change of more than 10% across all vessels within the next financial year, and accordingly believes that a 10% sensitivity to day rates and utilisation is appropriate.

## 5 Property and Equipment continued

### Impairment continued

**Discount rate**

A further sensitivity was conducted where a 1% increase and decrease was applied to the pre-tax discount rate. In 2021, and 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 are used in 2022 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)/ impairment reversal of* | | (Impairment)/ impairment reversal of* | |
| E-Class CGUs | (14.7) | 4 | 19.7 | 4 |
| S-Class CGUs | (10.8) | 2 | (0.6) | 1 |
| K-Class CGUs | 2.8 | 6 | 15.2 | 6 |
| **Total fleet** | **(22.7)** | **12** | **34.3** | **11** |

* This (impairment)/impairment reversal is calculated on carrying values before the adjustment for impairment reversals in 2022.

The total recoverable amounts of the vessels as at 31 December 2022 would have been US$ 635.2 million under the reduced discount rate sensitivity and US$ 560.2 million for the increased discount rate sensitivity.

## 6 Dry Docking Expenditure

The movement in dry docking expenditure is summarised as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **At 1 January** | **8,799** | 10,391 |
| Expenditure incurred during the year | **5,745** | 3,911 |
| Amortised during the year (*Note 36*) | **(5,613)** | (5,503) |
| **At 31 December** | **8,931** | 8,799 |

## 7 Right-of-Use Assets

| | Buildings US$'000 | Communications equipment US$'000 | Operating equipment US$'000 | Total US$'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2021 | 2,079 | 251 | 5,788 | 8,118 |
| Additions | 183 | – | 1,772 | 1,955 |
| At 31 December 2021 | 2,262 | 251 | 7,560 | 10,073 |
| Additions | 186 | – | 2,936 | 3,122 |
| **At 31 December 2022** | 2,448 | 251 | 10,496 | 13,195 |
| **Accumulated depreciation** | | | | |
| At 1 January 2021 | 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 |
| Depreciation for the year | 419 | 78 | 2,138 | 2,635 |
| **At 31 December 2022** | 1,867 | 251 | 7,706 | 9,824 |
| **Carrying amount** | | | | |
| **At 31 December 2022** | **581** | **–** | **2,790** | **3,371** |
| At 31 December 2021 | 814 | 78 | 1,992 | 2,884 |

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

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Depreciation of right of use assets (*Note 36*) | **2,635** | 2,411 |
| Expense relating to short term leases or leases of low value assets (*Note 36*) | **965** | 525 |
| Lease charges included in operating income | **3,600** | 2,936 |
| Interest on lease liabilities (*Note 35*) | **170** | 147 |
| **Lease charges included in profit before tax** | **3,770** | 3,083 |

The total cash outflow for leases amounted to US$ 3.7 million for the year ended 31 December 2022 (2021: US$ 3.0 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).

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Profit from operations before tax | **27,126** | 32,926 |
| Tax at the UK corporation tax rate of 19% | **5,154** | 6,256 |
| Effect of different tax rates in overseas jurisdictions | **(6,106)** | (3,285) |
| Expense not deductible for tax purposes | **20** | (2,842) |
| Overseas taxes not based on profit | **861** | 1,482 |
| Increase in unrecognised deferred tax | **1,242** | 115 |
| Prior year tax adjustments | **584** | (19) |
| Income not taxable for tax purposes | **(31)** | – |
| Total tax charge | **1,724** | 1,707 |

During the year, the tax rates on profits were 10% in Qatar (2021: 10%), 19% in the United Kingdom (2021: 19%) and 20% in Saudi Arabia (2021: 20%) applicable to the portion of profits generated inside of Saudi Arabia. The Group also incurred 2.5% Zakat tax (an obligatory tax to donate 2.5% of retained earnings each year) on the portion of profits generated in Saudi Arabia (2021: 2.5%).

The Group incurred 5% on revenue in Saudi Arabia (2021: 5%).

The withholding tax included in the current tax charge amounted to US$ 0.9 million (2021: US$ 1.4 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$ 26.4 million (2021: US$ 20.7 million), arising from UK operations, available for offset against future profits with an indefinite expiry period. In line with the prior year, the current year assessment relates to the E-Class vessel which is the only vessel expected to operate in the UK for the foreseeable future. Based on the projections of this remaining vessel's activity, there are insufficient future taxable profits to justify the recognition of a deferred tax asset. On this basis no deferred tax asset has been recognised in the current or prior year. The unrecognised deferred tax asset calculated at the substantively enacted rate in the UK of 25% amounts to US$ 6.6 million as at 31 December 2022 (2021: US$ 5.2 million).

The Group accrues for estimated penalties, if any, with respect to any open tax related matters. Any changes to such estimates relating to prior periods are presented in the "prior year tax adjustments" above.

### Factors Affecting Current and Future Tax Charges

#### United Kingdom (UK)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates as disclosed in these financial statements. Once the increase in the UK corporation tax rate takes effect, this could impact future tax payments.

The future effective tax rate of the Group could be impacted by changes in tax law, primarily increasing corporation tax rates and increasing withholding taxes applicable to the group.

#### United Arab Emirates (UAE)

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax regime in the UAE. This Law will become effective for accounting periods beginning on or after 1 June 2023.

## 8 Taxation Charge for the Year continued

### Factors Affecting Current and Future Tax Charges continued

**United Arab Emirates (UAE)** continued

The Group's UAE operations will be subject to a 9% corporation tax rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the UAE Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 Income Taxes.

A subsidiary of the Group received a tax assessment from the Saudi tax authorities (ZATCA) for an amount of US$ 7.3 million related to the transfer pricing of our inter-group bareboat agreement, for the period from 2017 to 2019. The Group has filed an appeal with the Tax Violations and Dispute Resolution Committee (TVDRC) against the assessment raised by ZATCA. The Directors have considered the claim, including consideration of third-party tax advice received. Noticing the claim retrospectively applied from 2010 in respect of a law which was issued in 2019, which applied a "tested party" assessment different to that supported by our tax advisors and using an approach which the Directors (supported by its tax advisors) consider to be inconsistent with the principles set out in the KSA transfer price guidelines, the Directors are confident that the Group has complied with the relevant tax legislation. On that basis, the Directors have not made a provision for the current or any future potential assessments of a similar nature.

## 9 Trade Receivables

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Trade receivables (gross of allowances) | **35,198** | 42,143 |
| Less: Allowances for bad and doubtful debt provision | **(1,921)** | – |
| Less: Allowance for expected credit losses | **(98)** | (195) |
| **Trade receivables** | **33,179** | 41,948 |

Gross trade receivables, amounting to US$ 35.2 million (2021: US$ 42.1 million), have been assigned as security against the loans extended by the Group's banking syndicate (*Note 22*).

Trade receivables disclosed above are measured at amortised cost. Credit periods are granted on a client by client basis. The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. For details of the calculation of expected credit losses, refer to *Note 3*.

Impairment has been considered for accrued revenue but is not considered significant.

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

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **At 1 January** | **195** | 133 |
| Movement of ECL provision during the year (*Note 36*) | **1,921** | 62 |
| Release of ECL provision (*Note 36*) | **(97)** | – |
| **At 31 December** | **2,019** | 195 |

Trade receivables are considered past due once they have passed their contracted due date. The net movement in expected credit loss provision during the year was US$ 1.8 million (2021: US$ 0.06 million).

Management carried out an impairment assessment of trade receivables for the year ended 31 December 2022 and concluded that the Group had an expected credit loss provision of US$ 2.0 million as at 31 December 2022 (31 December 2021: US$0.2 million). Further details on the specific provision are disclosed in Note 38.

Included in the Group's trade receivables balance are receivables with a gross amount of US$ 0.8 million (2021: US$ 6.7 million) which are past due for 30 days or more at the reporting date. At 31 December, the analysis of Trade receivables is as follows:

| | | Number of days past due | | | | | |
|---|---|---|---|---|---|---|---|
| | Current US$'000 | < 30 days US'000 | 31-60 days US'000 | 61-90 days US'000 | 91-120 days US'000 | > 120 days US'000 | Total US'000 |
| Trade receivables | **30,166** | **4,216** | **–** | **–** | **30** | **786** | **35,198** |
| Less: Allowance for trade receivables | **(2,003)** | **(10)** | **–** | **–** | **–** | **(6)** | **(2,019)** |
| **Net trade receivables 2022** | **28,163** | **4,206** | **–** | **–** | **30** | **780** | **33,179** |
| 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 |

Nine customers (2021: eight) account for 99% (2021: 97%) of the total trade receivables balance (see revenue by segment information in *Note 30*). When assessing credit risk, ongoing assessments of customer credit and liquidity positions are performed.

## 10 Prepayments, Advances and Other Receivables

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Accrued revenue | **1,303** | 1,170 |
| Prepayments | **3,137** | 3,663 |
| Deposits* | **85** | 406 |
| Advances to suppliers | **3,197** | 808 |
| Other receivables | **–** | 922 |
| **At 31 December** | **7,722** | 6,969 |

* Deposits include bank guarantee deposits of US$ 39K (2021: US$ 39K). Guarantee deposits are paid by the Group for employee work visas under UAE labour laws.

Other receivables disclosed above are measured at amortised cost.

## 11 Derivative Financial Instruments

### Embedded Derivatives – Contract to Issue Warrants

Under the terms of the Group's loan facility, the Group is required to issue warrants to its lenders if GMS had not raised US$ 50.0 million of equity by 31 December 2022.

On 2 January 2023, as the US$ 50.0 million equity raise did not take place, therefore 87,621,947 warrants were issued to the lenders. Based on the final report prepared by a Calculation Agent, the warrants give right to their holders to acquire 137,075,773 shares at an exercise price of 5.75 pence per share for a total consideration of GBP £7.9 million. Warrant holders will have the right to exercise their warrants up to the end of the term of the loan facility being 30 June 2025 (or earlier if a refinance takes place).

As the 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 derivative as at 31 December 2022 was US$ 3.2 million (31 December 2021 US$ 0.7 million). As the warrants were issued in January 2023, the balance is recognised as a current liability as at 31 December 2022.

### Interest Rate Swap

The Group has an Interest Rate Swap (IRS) arrangement, originally in place, to hedge a notional amount of US$ 50.0 million. The remaining notional amount hedged under the IRS as at 31 December 2022 was US$ 23.1 million (31 December 2021: US$ 30.8 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 2022 was an asset value of US$ 0.4 million (31 December 2021: liability of US$ 1.1 million). In 2020 cash flows of the hedging relationship for the IRS were not highly probable and, therefore, hedge accounting was discontinued from this point. The remaining balance in the cash flow hedge reserve relates to the balance to be recycled to the profit and loss following the occurrence of the underlying cash flow.

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. 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$'000 | Embedded derivative US$'000 | Total US$'000 |
|---|---|---|---|
| At 1 January 2022 | **(1,076)** | **(717)** | **(1,793)** |
| Settlement of derivatives | **384** | **–** | **384** |
| Net gain on changes in fair value of interest rate swap * | **1,078** | **–** | **1,078** |
| Initial recognition of embedded derivative | **–** | **–** | **–** |
| Net loss on changes in fair value of embedded derivative | **–** | **(2,481)** | **(2,481)** |
| **As at 31 December 2022** | **386** | **(3,198)** | **(2,812)** |

* The fair value of the interest rate swap is included under assets in the current year (2021: included in liabilities).

## 11 Derivative Financial Instruments continued

### IFRS 13 Fair Value Hierarchy continued

| | Interest rate swap US$'000 | Embedded derivative US$'000 | Total US$'000 |
|---|---|---|---|
| At 1 January 2021 | **(2,387)** | **(1,449)** | **(3,836)** |
| 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)** |

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.

The balance in the cashflow hedging reserve as at 31 December 2022 was US $0.28 million (2021: US $0.56 million).

## 12 Cash and Cash Equivalents

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| **Interest bearing** | | |
| Held in UAE banks | **1,209** | 639 |
| **Non-interest bearing** | | |
| Held in UAE banks | **2,824** | 778 |
| Held in banks outside UAE | **8,242** | 6,854 |
| Total cash at bank and in hand | **12,275** | 8,271 |

## 13 Share Capital and Other Reserves

**Ordinary shares at £0.02 per share**

| | Number of ordinary shares (Thousands) | Ordinary shares US$'000 |
|---|---|---|
| At 1 January 2022 | 1,016,415 | 30,117 |
| **As at 31 December 2022** | **1,016,415** | **30,117** |

| | Number of ordinary shares (Thousands) | Ordinary shares US$'000 |
|---|---|---|
| At 1 January 2021 | 350,488 | 58,057 |
| Placing of new shares | 665,927 | 18,505 |
| Capital reorganisation | – | (46,445) |
| **As at 31 December 2021 and 31 December 2022** | **1,016,415** | **30,117** |

**Deferred shares at £0.08 per share**

| | Number of ordinary shares ('000) | US$'000 |
|---|---|---|
| At 1 January 2022 | 350,488 | 46,445 |
| Buyback and cancellation of deferred shares | (350,488) | (46,445) |
| As at 31 December 2022 | – | – |

**Capital redemption reserve**

| | Number of ordinary shares (Thousands) | US$'000 |
|---|---|---|
| At 1 January 2022 | – | – |
| Placing of new shares | 350,488 | 46,445 |
| As at 31 December 2022 | 350,488 | 46,445 |

**Share premium**

| | Number of ordinary shares (Thousands) | Share premium account US$'000 |
|---|---|---|
| At 1 January 2021 | 350,488 | 93,080 |
| Placing of new shares* | 665,927 | 6,025 |
| As at 31 December 2021 and 2022 | 1,016,415 | 99,105 |

* net of issue costs of US$ 3,228,000.

Prior to an equity raise on 28 June 2021 the Group underwent a capital reorganisation where all existing ordinary shares with a nominal value of 10 pence per share were subdivided and re-designated into 1 ordinary share with a nominal value of 2 pence and 1 deferred share with a nominal value of 8 pence each. The previously recognised share capital balance relating to the old 10p ordinary shares was allocated pro rata to the new subdivided 2p ordinary shares and 8p deferred shares. The deferred shares had no voting rights and no right to the profits generated by the Group. On winding-up or other return of capital, the holders of deferred shares had extremely limited rights if any. The Group had the right but not the obligation to buyback all of the deferred shares for an amount not exceeding £1.00 in aggregate, which with the shareholders approval, was completed on 30 June 2022. Accordingly, 350,487,787 deferred shares were cancelled. Following the cancellation of the deferred shares on 30 June 2022, a transfer of $46.4 million was made from Share capital – Deferred to a Capital redemption reserve. There was no dilution to the shares ownership as a result of the share reorganisation.

Under the Companies Act a share buy-back by a public company can only be financed through distributable reserves or the proceeds of a fresh issue of shares made for the purpose of financing a share buyback. The Company had sufficient reserves to purchase the Deferred shares for £1.00.

The Group has Long Term Incentive Plans ("LTIPs") granted to senior management, managers, and senior offshore officers and which may result in increase in issued share capital in future (refer *Note 28*).

## 14 Restricted Reserve

The restricted reserve of US$ 0.3 million (2021: US$ 0.3 million) represents the statutory reserves of certain subsidiaries. As required by the Commercial Companies Law in the countries where those entities are established, 10% of profit for the year is transferred to the statutory reserve until the reserve equals 50% of the share capital. This reserve is not available for distribution. No amounts were transferred to this reserve during the year ended 31 December 2022 (2021: US $nil).

## 15 Group Restructuring Reserve

The Group restructuring reserve arose on consolidation under the pooling of interests (merger accounting) method used for the Group restructuring. Under this method, the Group was treated as a continuation of GMS Global Commercial Investments LLC (the predecessor parent Company) and its subsidiaries. At the date the Company became the new parent company of the Group via a share-for-share exchange, the difference between the share capital of GMS Global Commercial Investments LLC and the Company, amounting to US$ 49.7 million (2021: US $49.7 million), was recorded in the books of Gulf Marine Services PLC as a Group restructuring reserve. This reserve is non-distributable.

## 16 Share Based Payment Reserve

Share based payment reserve of US$ 3.6 million (2021: US$ 3.6 million) relates to awards granted to employees under the long-term incentive plans.

## 17 Capital Contribution

The capital contribution reserve is as follows:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| At 31 December | **9,177** | 9,177 |

During 2013, US$ 7.8 million was transferred from share appreciation rights payable to capital contribution as, effective 1 January 2013, the shareholders have assumed the obligation to settle the share appreciation rights. An additional charge in respect of this scheme of US$ 1.4 million was made in 2014. The total balance of US$ 9.2 million is not available for distribution.

## 18 Translation Reserve and Retained Earnings

Foreign currency translation reserve represents differences on foreign currency net investments arising from the re-translation of the net investments in overseas subsidiaries.

Retained earnings include the accumulated realised and certain unrealised gains and losses made by the Group.

## 19 Non-Controlling Interests

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

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| **At 1 January** | **1,912** | 1,694 |
| Share of profit for the year | **76** | 218 |
| **At 31 December** | **1,988** | 1,912 |

## 20 Provision for Employees' end of Service Benefits

In accordance with Labour Laws of some of the countries where the Group operates, it is required to provide for end of service benefits for certain employees. The movement in the provision for employees' end of service benefits during the year was as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **At 1 January** | **2,322** | 2,190 |
| Provided during the year | **270** | 678 |
| Paid during the year | **(452)** | (546) |
| **At 31 December** | **2,140** | 2,322 |

## 21 Trade and Other Payables

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Trade payables | **12,618** | 8,767 |
| Due to a related party (*Note 24*) | **2,841** | 197 |
| Accrued expenses* | **11,169** | 9,023 |
| Deferred revenue | **628** | 593 |
| VAT payable | **365** | 875 |
| Other payables | **358** | – |
| | **27,979** | 19,455 |

No interest is payable on the outstanding balances. Trade and other payables are all current liabilities.

* Accrued expenses include US$ 3,826,000 (2021: US$ 1,051,000) relating to drydock accruals.

## 22 Bank Borrowings

Secured borrowings at amortised cost are as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Term loans | **328,085** | 358,026 |
| Working capital facility (utilised) | **–** | 21,500 |
| | **328,085** | 379,526 |

Interest paid on bank borrowings were US$ 17.5 million (2021: US$ 12.9 million). Interest charged on bank borrowings was US$ 17.2 million (2021: US$ 17.5 million).

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

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Hedged bank borrowing via Interest Rate Swap* | **23,077** | 30,769 |
| Unhedged bank borrowings | **305,008** | 348,757 |
| | **328,085** | 379,526 |

* 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 27* for further details.

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

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Non-current portion** | | |
| Bank borrowings | **298,085** | 353,429 |
| **Current portion** | | |
| Bank borrowings – scheduled repayments within one year | **30,000** | 26,097 |
| | **328,085** | 379,526 |

The principal terms of the outstanding facility as at 31 December 2022 are as follows:

- The facility's main currency is US$ and is repayable with a LIBOR plus margin at 3% up to 31 December 2022 at which point margin is based on a ratchet depending on leverage levels. In 2023, the Group expects the margin to be 3.1% if leverage is below 4.0, 4.0% if leverage is between 4.0 and 4.5 and 4.5% if leverage is higher than 4.5 but lower than 5.
- The revolving working capital facility amounts to US$ 45.0 million (2021: US$ 50.0 million). US$ 25.0 million (2021: US$ 25.0 million) of the working capital facility is allocated to performance bonds and guarantees and US$ 20.0 million (2021: US$ 25 million) is allocated to cash which was repaid in full during the year (31 December 2021 US$ 21.5 million was drawn), leaving US$ 20.0 million available for drawdown (31 December 2021: US$ 3.5 million). 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 2022 of US$ 549.7 million (31 December 2021: US$ 560.9 million) *(Note 5)*. Additionally, gross trade receivables, amounting to US$ 35.2 million (31 December 2021: US$ 42.1 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$ 12.3 million (31 December 2021: US$ 8.3 million) *(Note 12)* before the restricted amounts related to visa deposits held with the Ministry of Labour in the UAE which are included in other receivables. These have been assigned as security against the loans extended by the Group's banking syndicate.
- As per the amended terms' contingent conditions that if an additional equity raise of US $50.0 million did not take place by 31 December 2022, 87.6 million warrants were issued on 2 January 2023, giving right to 137,075,773 million shares at a striking price of 5.75 pence per share.
- Also, as the results of the Group in 2022 show a leverage ratio higher than 4.0, a 2.5% PIK interest will accrue as of 1 January 2023. Also and as part of the ratchet mechanism, the margin rate on the loan will change on 1 January 2023 from 3.0% to 4.0%.
- Refer to *Note 11* 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 2022 the Group was required to achieve a net leverage ratio lower than 6.1x, interest cover with a minimum ratio of 2.25x and debt service cover with a minimum ratio of 1.2x. 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. As at the year end, there was no breach of covenant and on 2 January 2023 warrants were issued (*Note 11*). All applicable financial covenants assigned to the Group's debt facility were met as of 31 December 2022.

The Group appointed a calculation agent who has reported the final exercise price of the warrants to be 5.75 pence per share, and 137,075,773 ordinary shares that would be issued to the Lenders. As at 31 December 2022, the Group did not raise an additional US$ 50.0 million of equity, resulting in the issuance of warrants on 2 January 2023.

| | Outstanding amount | | | | |
|---|---|---|---|---|---|
| | Current US$'000 | Non-current US$'000 | Total US$'000 | Security | Maturity |
| **31 December 2022:** | | | | | |
| Term loan – scheduled repayments within one year | **30,000** | **–** | **30,000** | **Secured** | **June 2025** |
| Term loan – scheduled repayments within more than one year | **–** | **298,085** | **298,085** | **Secured** | **June 2025** |
| Working capital facility – scheduled repayment more than one year | **–** | **–** | | **Secured** | **June 2025** |
| | **30,000** | **298,085** | **328,085** | | |
| 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 within one year | – | 21,500 | 21,500 | Secured | June 2025 |
| | 26,097 | 353,429 | 379,526 | | |

## 23 Lease Liabilities

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **As at 1 January** | **2,924** | 3,311 |
| Recognition of new lease liability additions | **3,122** | 1,955 |
| Interest on finance leases (*Note 35*) | **170** | 147 |
| Principal elements of lease payments | **(2,524)** | (2,342) |
| Interest paid | **(170)** | (147) |
| **As at 31 December** | **3,522** | 2,924 |
| **Maturity analysis:** | | |
| Year 1 | **1,845** | 1,817 |
| Year 2 | **834** | 736 |
| Year 3–5 | **692** | 206 |
| Onwards | **151** | 165 |
| | **3,522** | 2,924 |
| Split between: | | |
| Current | **1,845** | 1,817 |
| Non-current | **1,677** | 1,107 |
| | **3,522** | 2,924 |

## 24 Related Party Transactions

Related parties comprise the Group's major shareholders, Directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Pricing policies and terms of related party transactions are approved by the Group's Board.

Balances and transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### Key Management Personnel:

As at 31 December 2022, there were 2.6 million shares held by Directors (31 December 2021: 2.2 million). Refer to the Governance Report on page 66.

### 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 70. 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 |

| Partner in relation to UAE Operations | Relationship |
|---|---|
| Sigma Enterprise Company LLC | Affiliate of a significant shareholder of the Company |

| Partner in relation to UAE Operations | Relationship |
|---|---|
| Aman Integrated Solutions LLC | Affiliate of a significant shareholder of the Company |

The amounts outstanding to Abdulla Fouad Energy Services Company as at 31 December 2022 was US $0.2 million (2021: US $0.1 million), refer to *Note 21*.

The amounts outstanding to National Catering Company Limited WLL as at 31 December 2022 was US $0.8 million (2021: US $0.1 million) included in trade and other payables (*Note 21*).

The amounts outstanding to Sigma Enterprise Company LLC as at 31 December 2022 was US 1.8 million (2021: US $nil) included in trade and other payables (*Note 21*).

The amounts outstanding to Aman Integrated Solutions LLC as at 31 December 2022 was US nil (2021: US $nil) included in trade and other payables (*Note 21*).

During 2022, there were no transactions with Seafox international or any of its subsidiaries (2021: US $nil).

Significant transactions with the related party during the year:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Rentals of property from Abdulla Fouad | **50** | 54 |
| Rentals of breathing equipment from Abdulla Fouad | **521** | 452 |
| Catering services for Vessel Pepper from National Catering Company Limited WLL | **1,232** | 289 |
| Sigma Enterprise Company LLC | **1,930** | – |
| Aman Integrated Solutions LLC | **7** | – |

### Compensation of Key Management Personnel

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

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Short-term benefits | **617** | 915 |
| End of service benefits | **24** | 7 |
| | **641** | 922 |

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 2022, there were four members of key management personnel (2021: five members). Further details of Board remuneration and the termination of key management personnel relating to 2021 are contained in the Directors' Remuneration Report on pages 64 to 66.

## 25 Contingent Liabilities

At 31 December 2022, the banks acting for Gulf Marine Services FZE, one of the subsidiaries of the Group, had issued performance bonds amounting to US$ 18.0 million (31 December 2021: US$ 11.6 million), all of which were counter-indemnified by other subsidiaries of the Group.

## 26 Commitments

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Capital commitments | **6,221** | 6,832 |

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

## 27 Financial Instruments

### Categories of Financial Instruments

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Financial assets:** | | |
| **Current assets at amortised cost:** | | |
| Cash and cash equivalents (*Note 12*) | **12,275** | 8,271 |
| Trade receivables and other receivables (*Note 9,10*)* | **34,567** | 44,446 |
| **Current assets recorded at FVTPL:** | | |
| Interest rate swap (*Note 11*) | **386** | – |
| **Total financial assets** | **47,228** | 52,717 |

* Trade and other receivables excludes prepayments and advances to suppliers

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Financial liabilities:** | | |
| **Derivatives recorded at FVTPL:** | | |
| Interest rate swap (*Note 11*) | **–** | 1,076 |
| Embedded derivative (*Note 11*) | **3,198** | 717 |
| | | |
| **Financial liabilities recorded at amortised cost:** | | |
| Trade and other payables (*Note 21*)* | **26,986** | 17,987 |
| Lease liabilities (*Note 23*) | **3,522** | 2,924 |
| Current bank borrowings – scheduled repayments within one year (*Note 22*) | **30,000** | 26,097 |
| Non-current bank borrowings – scheduled repayments more than one year (*Note 22*) | **298,085** | 353,429 |
| **Total financial liabilities** | **361,791** | 402,230 |

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

## 27 Financial Instruments continued

### Categories of Financial Instruments continued

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.

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Financial assets:** | | |
| **Recognised at level 2 of the fair value hierarchy:** | | |
| Interest rate swap (*Note 11*) | **386** | – |
| Financial liabilities: | | |
| Recognised at level 2 of the fair value hierarchy: | | |
| Interest rate swap (*Note 11*) | **–** | 1,076 |
| **Recognised at level 3 of the fair value hierarchy:** | | |
| Embedded derivative (*Note 11*) | **3,198** | 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 | As of 2 January 2023, the warrants have been vested. The valuation technique used a Monte Carlo simulation with 5,000 iterations for Group's future market capitalisation. |

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 2022 has been arrived at on the basis of a valuation carried out at that date by a third-party expert, an independent valuer not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined using a Monte-Carlo simulation.

Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. There have been no transfers between Level 2 and Level 3 during the years ended 31 December 2022 and 31 December 2021.

The Group uses interest rate swap derivatives to hedge volatility in interest rates. These were previously formally designated into hedge accounting relationships. As the cash flows of the hedging relationship subsequent to 31 December 2020 were not highly probable, the hedge accounting was 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 (2021: loss of US$ 0.3 million) was recognised in profit or loss in the current year in relation to the change in fair value of the interest rate swap (*Note 35*).

### Capital Risk Management

The Group manages its capital to support its ability to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The capital structure of the Group consists of net bank debt and total equity. The Group continues to take measures to de-lever the Company and intends to continue to do so in 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, and one of our UK offices 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 dealing when possible with creditworthy counterparties while keen to maximize utilization for its vessels.

Cash balances held with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. At the year-end, cash at bank and in hand totalled US$ 12.3 million (2021: US$ 8.3 million), deposited with banks with Fitch short-term ratings of F2 to F1+ (Refer to *Note 12*).

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 8 companies in the Middle East and 2 companies in Europe, including NOCs and engineering, procurement and construction ("EPC") contractors. At 31 December 2022, 7 companies in specific regions accounted for 99% (2021: 8 companies in specific regions accounted for 96%) 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.

## 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 2022** | | | | | |
| *Non-interest bearing financial assets* | | | | | |
| Cash and cash equivalents – non-interest bearing | | **11,066** | **11,066** | **–** | **–** |
| Trade receivables and other receivables* | | **34,567** | **33,751** | **30** | **786** |
| *Interest bearing financial assets* | | | | | |
| Cash and cash equivalents – interest bearing | | **1,209** | **1,209** | **–** | **–** |
| Interest rate swap | | **386** | **–** | **386** | **–** |
| | | **47,228** | **44,003** | **416** | **2,809** |
| *Non-interest bearing financial liabilities* | | | | | |
| Trade and other payables** | | **26,986** | **26,986** | **–** | **–** |
| *Interest bearing financial liabilities* | 3.0%–7.7% | | | | |
| Bank borrowings – principal | | **328,079** | **7,500** | **22,500** | **298,079** |
| Interest on bank borrowings | | **40,395** | **2,656** | **7,603** | **30,136** |
| Lease liabilities | | **3,522** | **462** | **1,383** | **1,677** |
| Interest on lease liabilities | | **148** | **20** | **42** | **86** |
| | | **399,130** | **37,624** | **31,528** | **329,978** |

| | 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 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 |

## 27 Financial Instruments continued

### Liquidity Risk Management continued

| | Interest rate | Total US$'000 | 1 to 3 months US$'000 | 4 to 12 months US$'000 | 2 to 5 years US$'000 |
|---|---|---|---|---|---|
| *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 |

* 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 (2021: US$ 50.0 million). The remaining amount of notional hedged from the IRS as at 31 December 2022 was US$ 23.1 million (2021: US$ 30.8 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 2022 was an asset value of US$ 0.4 million (2021: liability value US$ 1.1 million), (see Note 11 for more details). As noted above the hedge accounting was 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. The Secured Overnight Financing Rate (SOFR) is a secured interbank overnight interest rate which is intended to replace the LIBOR in future financial contracts.
- 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.

**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 US Dollars, UAE Dirhams, Euros and Pound Sterling. As the UAE Dirham, Saudi Riyal and Qatari Riyal are pegged to the US Dollar, balances in UAE Dirham, Saudi Riyal and Qatari Riyal are not considered to represent significant currency risk. Transactions in other foreign currencies entered into by the Group are short-term in nature and therefore management considers that the currency risk associated with these transactions is limited.

Brexit has not had any material impact on Group operations nor did it have impact on transactions in Pound Sterling. Management continue to monitor changes in legislation and future policies and will develop suitable mitigants if required.

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 | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| US Dollars | **26,556** | 35,097 | **13,146** | 4,889 |
| UAE Dirhams | **283** | 87 | **1,110** | 2,092 |
| Saudi Riyals | **10,332** | 7,688 | **–** | 553 |
| Pound Sterling | **31** | 4,189 | **1,218** | 948 |
| Euros | **4,535** | 89 | **–** | 196 |
| Qatari Riyals | **6,237** | 3,264 | **317** | 86 |
| Norwegian Krone | **2** | – | **–** | 2 |
| Others | **26** | – | **–** | 1 |
| | **48,002** | 50,414 | **15,791** | 8,767 |

At 31 December 2022, if the exchange rate of the currencies other than the UAE Dirham, Saudi Riyal and Qatari Riyal had increased/decreased by 10% against the US Dollar, with all other variables held constant, the Group's profit for the year would have been higher/lower by US$ 0.9 million (2021: higher/lower by US$ 0.6 million) mainly as a result of foreign exchange loss or gain on translation of Euro and Pound Sterling denominated balances.

## 28 Long Term Incentive Plans

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

The employment condition attached to the Groups LTIP's is that each eligible employee of the Company must remain in employment during the three-year vesting period. LTIP awards granted in 2019 and 2020 were aligned to Company's share performance. The release of these shares was conditional upon continued employment and market vesting conditions. There were no LTIP awards granted during 2021.

During the year ended 31 December 2022, additional LTIPs awards were granted to the Chairman and Senior Management. The awards would vest over three years subject to the same employment conditions described above and performance conditions being met in 2024 based on defined ranges. There was an underpin condition such that no awards would vest if the debt leverage in the Group exceeded 4.0 times EBITDA at 31 December 2022. As this criteria had not been met all LTIP awards issued in 2022 were forfeited.

Equity-settled share-based payments were measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo 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 performance conditions, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period was based on the number of awards that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payment granted.

To the extent that share-based payments are granted to employees of the Group's subsidiaries without charge, the share-based payment is capitalised as part of the cost of investment in subsidiaries.

## 28 Long Term Incentive Plans continued

The number of share awards granted by the Group during the year is given in the table below:

| | 2022 000's | 2021 000's |
|---|---|---|
| **At the beginning of the year** | **2,499,714** | 6,573,229 |
| Granted in the year | **9,460,000** | – |
| Cash settled in the year | **(921,311)** | (1,854,298) |
| Forfeited in the year | **(9,862,390)** | (2,219,217) |
| Lapsed | | – |
| **At the end of the year** | **1,176,014** | 2,499,714 |

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2022 was 0.1 years (31 December 2021: 0.5 years). The weighted average fair value of shares granted during the period to 31 December 2022 was US$ 0.057 million (31 December 2021: US$ nil).

| | LTIP | LTIP | LTIP |
|---|---|---|---|
| Grant date | **14 Jun 2022** | 29 May 2020 | 15 Nov 2019 |
| Share price | **£0.06** | £0.09 | £0.08 |
| Exercise price | **£0.00** | £0.00 | £0.00 |
| Expected volatility | **102%** | 120% | 102.79% |
| Risk-free rate | **2.17%** | 0.01% | 0.48% |
| Expected dividend yield | **0.00%** | 0.00% | 0.00% |
| Vesting period | **3 years** | 3 years | 3 years |
| Award life | **3 years** | 3 years | 3 years |

The expected share price volatility of Gulf Marine Services PLC shares was determined by considering the historical share price movements for a three-year period up to the grant date (and of each of the companies in the 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. All of the deferred shares will be subject to a right of repurchase by the Company for an aggregate sum of £1 following admission. These shares were cancelled when repurchased.

## 29 Dividends

There was no dividend declared or paid in 2022 (2021: nil). No final dividend in respect of the year ended 31 December 2022 is to be proposed at the 2023 AGM.

## 30 Segment Reporting

The Group has 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, and (iii) E-Class vessels, which include the Endeavour, Endurance, Enterprise and Evolution vessels.

All of these operating segments earn revenue related to the hiring of vessels and related services including charter hire income, messing and accommodation services, personnel hire and hire of equipment. The accounting policies of the operating segments are the same as the Group's accounting policies described in *Note 3*.

| | Revenue | | Segment adjusted gross profit/(loss) | |
|---|---|---|---|---|
| | **2022 US$'000** | 2021 US$'000 | **2022 US$'000** | 2021 US$'000 |
| K-Class vessels | **48,036** | 43,027 | **27,827** | 26,214 |
| E-Class vessels | **51,135** | 38,680 | **30,200** | 25,104 |
| S-Class vessels | **33,986** | 33,420 | **23,899** | 22,590 |
| | **133,157** | 115,127 | **81,926** | 73,908 |
| **Less:** | | | | |
| Depreciation charged to cost of sales | | | **(23,567)** | (22,738) |
| Amortisation charged to cost of sales | | | **(5,613)** | (5,503) |
| Amortisation charged to cost of sales | | | **(13,192)** | – |
| Reversal of impairment/(impairment loss) | | | **20,980** | 14,959 |
| **Gross profit** | | | **60,534** | 60,626 |
| Finance expense | | | **20,137** | (14,463) |
| Other general and administrative expenses | | | **(13,212)** | (12,272) |
| Foreign exchange loss, net | | | **(138)** | (1,002) |
| Other income | | | **68** | 28 |
| Finance income | | | **11** | 9 |
| **Profit for the year before taxation** | | | **27,126** | 32,926 |

The total revenue from reportable segments which comprises the K, S and E-Class vessels was US$ 133.2 million (2021: US$ 115.1 million).

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 (2021: four) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by year, was US$ 9.0 million, US$ 22.1 million, US$ 43.1 million and US$ 22.4 million (2021: US$ 13.4 million, US$ 16.6 million, US$ 42.0 million and US$ 18.6 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.

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| United Arab Emirates | **22,645** | 58,019 |
| Saudi Arabia | **51,848** | 21,376 |
| Qatar | **44,259** | 22,591 |
| Total – Middle East and North Africa | **118,752** | 101,986 |
| Total – Europe | **14,405** | 13,141 |
| Worldwide Total | **133,157** | 115,127 |

## 30 Segment Reporting continued

### Type of Work

The Group operates in both the oil and gas and renewables sector. Oil and gas revenues are driven from both client operating cost expenditure and capex expenditure. Renewables are primarily driven by windfarm developments from client expenditure. Details are shown below.

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Oil and Gas | **118,752** | 101,986 |
| Renewables | **14,405** | 13,141 |
| Total | **133,157** | 115,127 |

An impairment charge of US $ 4.6 million and reversal of impairment of US$ 12.4 million (2021: reversal of impairment of US$ 15.0 million) was recognised in respect of property and equipment (Note 5) attributable to the following reportable segments:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| K-Class vessels | **(9,100)** | (4,852) |
| S-Class vessels | **4,631** | – |
| E-Class vessels | **(3,319)** | (10,107) |
| | **(7,788)** | (14,959) |

| | K-Class vessels US$'000 | S-Class vessels US$'000 | E-Class vessels US$'000 | Other vessels US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Depreciation charged to cost of sales | **5,044** | **5,829** | **12,575** | **119** | **23,567** |
| Amortisation charged to cost of sales | **2,472** | **839** | **2,302** | **–** | **5,613** |
| Impairment charge/(reversal of impairment charge) | **(9,100)** | **4,631** | **(3,319)** | **–** | **(7,788)** |
| 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) |

## 31 Presentation of Adjusted Non-GAAP Results

The following table provides a reconciliation between the Group's adjusted non-GAAP and statutory financial results:

| | Year ended 31 December 2022 | | | Year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | **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 | **133,157** | **–** | **133,157** | 115,127 | – | 115,127 |
| *Cost of sales* | | | | | | |
| – Cost of sales before depreciation, amortisation and impairment | **(51,230)** | **–** | **(51,230)** | (41,219) | – | (41,219) |
| – Depreciation and amortisation | **(29,181)** | **–** | **(29,181)** | (28,241) | – | (28,241) |
| Reversal of impairment/(impairment loss)* | **–** | **7,788** | **7,788** | – | 14,959 | 14,959 |
| **Gross profit** | **52,746** | **7,788** | **60,534** | 45,667 | 14,959 | 60,626 |
| *General and administrative* | | | | | | |
| – Amortisation of IFRS 16, Leases | **(2,635)** | **–** | **(2,635)** | (2,410) | – | (2,410) |
| – Depreciation | **(128)** | **–** | **(128)** | (78) | – | (78) |
| – Other administrative costs | **(10,449)** | **–** | **(10,449)** | (9,784) | – | (9,784) |
| **Operating profit** | **39,534** | **7,788** | **47,322** | 33,395 | 14,959 | 48,354 |
| Finance income | **11** | **–** | **11** | 9 | – | 9 |
| Finance expense | **(20,137)** | **–** | **(20,137)** | (12,737) | – | (12,737) |
| Cost to acquire new bank facility** | **–** | **–** | **–** | – | (3,165) | (3,165) |
| Fair value adjustment on recognition of new debt facility*** | **–** | **–** | **–** | – | 1,439 | 1,439 |
| Other income | **68** | **–** | **68** | 28 | – | 28 |
| Foreign exchange loss, net | **(138)** | **–** | **(138)** | (1,002) | – | (1,002) |
| **Profit before taxation** | **19,338** | **7,788** | **27,126** | 19,693 | 13,233 | 32,926 |
| Taxation charge | **(1,724)** | **–** | **(1,724)** | (1,707) | – | (1,707) |
| **Profit for the year** | **17,614** | **7,788** | **25,402** | 17,986 | 13,233 | 31,219 |
| **Profit attributable to:** | | | | | | |
| Owners of the Company | **17,538** | **7,788** | **25,326** | 17,768 | 13,233 | 31,001 |
| Non-controlling interests | **76** | **–** | **76** | 218 | – | 218 |
| Gain per share (basic) | **1.73** | **0.76** | **2.49** | 2.57 | 1.91 | 4.48 |
| Gain per share (diluted) | **1.71** | **0.76** | **2.47** | 2.55 | 1.91 | 4.46 |
| ***Supplementary non statutory information*** | | | | | | |
| Operating profit | **39,534** | **7,788** | **47,322** | 33,395 | 14,959 | 48,354 |
| Add: Depreciation and amortisation | **31,944** | **–** | **31,944** | 30,729 | – | 30,729 |
| **Adjusted EBITDA** | **71,478** | **7,788** | **79,266** | 64,124 | 14,959 | 79,083 |

* 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 2022 and 2021 (refer to Note 5 for further details). Management has adjusted this due to the nature of the transaction which it believes is not directly related to operations management are able to influence. This measure provides additional information on the core profitability of the Group.

** 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. Management has 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 pages 32-33 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. The Group has 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.

## 31 Presentation of Adjusted Non-GAAP Results continued

| | Year ended 31 December 2022 | | | Year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | 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 for the year** | **17,614** | **7,788** | **25,402** | 17,986 | 13,233 | 31,219 |
| Adjustments for: | | | | | | |
| (Reversal of impairment)/impairment loss (*Note 5*)* | | **(7,788)** | **(7,788)** | – | (14,959) | (14,959) |
| Cost to acquire new bank facility** | **–** | **–** | **–** | – | 3,165 | 3,165 |
| Fair value adjustment on recognition of new debt facility*** | **–** | **–** | **–** | – | (1,439) | (1,439) |
| Finance expenses | **20,137** | **–** | **20,137** | 12,737 | – | 12,737 |
| Other adjustments (*Note 37*) | **35,276** | **–** | **35,276** | 32,576 | – | 32,576 |
| Cash flow from operating activities before movement in working capital | **73,027** | **–** | **73,027** | 63,299 | – | 63,299 |
| Change in trade and other receivables | **5,610** | **–** | **5,610** | (17,090) | – | (17,090) |
| Change in trade and other payables | **5,005** | **–** | **5,005** | (4,849) | – | (4,849) |
| Cash generated from operations (*Note 37*) | **83,642** | **–** | **83,642** | 41,360 | – | 41,360 |
| Income tax paid | **(1,077)** | **–** | **(1,077)** | (849) | – | (849) |
| **Net cash flows generated from operating activities** | **82,565** | **–** | **82,565** | 40,511 | – | 40,511 |
| **Net cash flows used in investing activities** | **(6,304)** | **–** | **(6,304)** | (11,498) | – | (11,498) |
| Payment of issue costs on bank borrowings | **(148)** | **–** | **(148)** | (450) | (3,165) | (3,615) |
| Other cash flows used in financing activities | **(72,109)** | **–** | **(72,109)** | (20,925) | – | (20,925) |
| **Net cash flows used in financing activities** | **(72,257)** | **–** | **(72,257)** | (21,375) | (3,165) | (24,540) |
| **Net change in cash and cash equivalents** | **4,004** | **–** | **4,004** | 7,638 | (3,165) | 4,473 |

* 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 2022 and 2021 (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.

*** 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.

## 32 Earnings Per Share

| | 2022 | 2021 |
|---|---|---|
| Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to Owners of the Company (US$'000) | **25,326** | 31,001 |
| Profit for the purpose of adjusted basic and diluted earnings per share (US$'000) (*Note 31*) | **17,538** | 17,768 |
| Weighted average number of shares ('000) | **1,016,415** | 691,661 |
| Weighted average diluted number of shares in issue ('000) | **1,024,124** | 695,753 |
| Basic earnings per share (cents) | **2.49** | 4.48 |
| Diluted earnings per share (cents) | **2.47** | 4.46 |
| Adjusted earnings per share (cents) | **1.73** | 2.57 |
| Adjusted diluted earnings per share (cents) | **1.71** | 2.55 |

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (as disclosed in the statement of comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Adjusted earnings per share is calculated on the same basis but uses the profit for the purpose of basic earnings per share (shown above) adjusted by adding back the non-operational items, which were recognised in the consolidated statement of profit or loss and other comprehensive income. The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of share-based payment charge outstanding during the year.

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

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

| | 2022 '000s | 2021 '000s |
|---|---|---|
| Weighted average basic number of shares in issue | **1,016,415** | 691,661 |
| Weighted average effect of LTIP's | **7,709** | 4,092 |
| Weighted average diluted number of shares in issue | **1,024,124** | 695,753 |

The warrants are anti-dilutive and therefore not included in the calculation of weighted average number of dilutive shares.

## 33 Revenue

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Charter hire | **70,295** | 63,525 |
| Lease income | **44,543** | 38,824 |
| Messing and accommodation | **12,746** | 7,971 |
| Manpower income | **3,516** | 2,865 |
| Mobilisation and demobilisation | **1,281** | 1,077 |
| Sundry income | **776** | 865 |
| | **133,157** | 115,127 |
| Revenue recognised – over time | **131,958** | 113,931 |
| Revenue recognised – point in time | **1,199** | 1,196 |
| | **133,157** | 115,127 |

Included in mobilisation and demobilisation income is an amount of US$ 0.6 million (2021 US$ 0.1 million) that was included as deferred revenue at the beginning of the financial year.

### Lease Income:

| | 2022 | 2021 |
|---|---|---|
| **Maturity analysis:** | | |
| Year 1 | **57,665** | 47,994 |
| Year 2 | **36,696** | 21,306 |
| Year 3–5 | **32,947** | 4,305 |
| Onwards | **–** | – |
| | **127,308** | 73,605 |
| Split between: | | |
| Current | **57,665** | 47,994 |
| Non-current | **69,643** | 25,611 |
| | **127,308** | 73,605 |

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

## 34 Finance Income

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Bank interest | **11** | 9 |

## 35 Finance Expense

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Interest on bank borrowings (*Note 22*) | **17,231** | 17,545 |
| Net loss on changes in fair value of embedded derivative for contract to issue warrants | **2,481** | 232 |
| Gain on IRS reclassified to profit or loss | **279** | 278 |
| Net gain on changes in fair value of interest rate swap (*Note 11*) | **(1,078)** | (278) |
| Interest on finance leases (*Note 7*) | **170** | 147 |
| Cost to acquire new bank facility*(*Note 22*) | **–** | 3,165 |
| Recognition of embedded derivative for contract to issue warrants (*Note 11*) | **–** | 926 |
| Net gain on revision of debt facility (*Note 22*) | **–** | (6,332) |
| Derecognition of embedded derivative for contract to issue warrants (*Note 11*) | **–** | (1,890) |
| Other finance expenses | **1,054** | 670 |
| | **20,137** | 14,463 |

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

## 36 Profit for the Year

The profit for the year is stated after charging/(crediting):

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Total staff costs (see below) | **27,350** | 31,761 |
| Depreciation of property and equipment (*Note 5*) | **23,695** | 22,816 |
| Amortisation of dry-docking expenditure (*Note 6*) | **5,613** | 5,503 |
| Depreciation of right-of-use assets (*Note 7*) | **2,635** | 2,411 |
| Movement in ECL provision during the year (*Note 9*) | **1,921** | 62 |
| Auditor's remuneration (see below) | **787** | 1,141 |
| Net foreign exchange loss | **138** | 1,002 |
| Other income* | **(68)** | (28) |
| Recovery of ECL provision (*Note 9*) | **(97)** | – |
| Expense relating to short term leases or leases of low value assets (*Note 7*) | **965** | 525 |
| (Reversal of impairment)/impairment loss (*Note 5*) | **(7,788)** | (14,959) |

* Other income relates to sale of equipment and other sundry income.

The average number of full time equivalent employees (excluding non-executive Directors) by geographic area was:

| | 2022 Number | 2021 Number |
|---|---|---|
| Middle East and Northern Africa | **539** | 499 |
| Rest of the world | **28** | 35 |
| | **567** | 534 |

The total number of full time equivalent employees (including executive Directors) as at 31 December 2022 was 594 (31 December 2021: 545). The number of full time employees increased in the year due to an increase in offshore headcount from the second half of the year.

Their aggregate remuneration comprised:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Wages and salaries | **26,845** | 31,039 |
| End of service benefit (*Note 19*) | **270** | 678 |
| Share based payment charge | **45** | 26 |
| Employment taxes* | **190** | 18 |
| | **27,350** | 31,761 |

* Employment taxes include US $0.17 million (2021: US $ nil) in respect of social security costs for our crew working in France.

The analysis of the auditor's remuneration is as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Group audit fees | **520** | 631 |
| Subsidiary audit fees | **100** | 62 |
| **Total audit fees** | **620** | 693 |
| Audit-related assurance services – interim review | **167** | 240 |
| Audit-related assurance services – equity raise review | **–** | 170 |
| **Total fees** | **787** | 1,103 |

## 37 Notes to the Consolidated Statement of Cash Flows

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | **25,402** | 31,219 |
| *Adjustments for:* | | |
| Depreciation of property and equipment (*Note 5*) | **23,695** | 22,816 |
| Finance expenses (*Note 35*) | **20,137** | 14,463 |
| Amortisation of dry-docking expenditure (*Note 6*) | **5,613** | 5,503 |
| Depreciation of right-of-use assets (*Note 7*) | **2,635** | 2,411 |
| Income tax expense (*Note 8*) | **1,724** | 1,707 |
| Movement in ECL provision during the year (*Note 9*) | **1,921** | 62 |
| End of service benefits charge (*Note 20*) | **270** | 678 |
| Impairment loss (*Note 5*) | **13,192** | – |
| Reversal of impairment (*Note 5*) | **(20,980)** | (14,959) |
| End of service benefits paid (*Note 20*) | **(452)** | (546) |
| Recovery of ECL provision (*Note 9*) | **(96)** | – |
| Share-based payment charge (*Note 16*) | **45** | (18) |
| Interest income (*Note 34*) | **(11)** | (9) |
| Other income | **(68)** | (28) |
| **Cash flow from operating activities before movement in working capital** | **73,027** | 63,299 |
| Decrease/(increase) in Trade and other receivables* | **5,610** | (17,090) |
| Increase/(decrease) in Trade and other payables** | **5,005** | (4,849) |
| **Cash generated from operations** | **83,642** | 41,360 |
| Taxation paid | **(1,077)** | (849) |
| **Net cash generated from operating activities** | **82,565** | 40,511 |

* excludes the movement in allowance for ECL, Bad and doubtful debts, prepayments and other non-cash items within other receivables

** excludes movement in non-cash accruals

## 37 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 11*) US$'000 | Lease liabilities (*Note 23*) US$'000 | Bank borrowings (*Note 22*) US$'000 |
|---|---|---|---|
| At 1 January 2021 | 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 35*) | – | 147 | – |
| Interest on bank borrowings (*Note 35*) | – | – | 17,545 |
| Gain on revision of debt facility (*Note 35*) | – | – | (6,332) |
| Net gain on change in fair value of IRS (*Notes 11, 35*) | (278) | – | – |
| Loss on fair value changes on the embedded derivative (*Note 11*) | (732) | – | – |
| Total non cash changes | (1,010) | 2,102 | 11,213 |
| At 31 December 2021 | 1,793 | 2,924 | 379,526 |
| **Financing cash flows** | | | |
| Repayment of bank borrowings | **–** | **–** | **(51,445)** |
| Principal elements of lease payments | **–** | **(2,524)** | **–** |
| Settlement of derivatives | **(384)** | **–** | **–** |
| Interest paid | **–** | **(170)** | **(17,227)** |
| Total financing cashflows | **(384)** | **(2,694)** | **(68,672)** |
| **Non-cash changes:** | | | |
| Recognition of new lease liability additions | **–** | **3,122** | **–** |
| Interest on leases (*Note 35*) | **–** | **170** | **–** |
| Interest on bank borrowings (*Note 35*) | **–** | **–** | **17,231** |
| Net gain on change in fair value of IRS (*Note 11*) | **(1,078)** | **–** | **–** |
| Loss on fair value changes on the embedded derivative (*Note 11*) | **2,481** | **–** | **–** |
| Total non cash changes | **1,403** | **3,292** | **17,231** |
| **At 31 December 2022** | **2,812** | **3,522** | **328,085** |

## 38 Events After the Reporting Period

### Administration of a Customer

During January 2023, a customer of Gulf Marine Service (UK) Limited entered administration. The Company has traded with this customer during the year and the Group has ascertained that the impact of this administration is not going to affect the ability of the Group to operate as a going concern. The Company has recognized a provision for bad and doubtful debts of US $1.92 million. Further details are disclosed in *Note 9*.

### Issue of Warrants

Under the terms of the Group's loan facility, the Group is required to issue warrants to its lenders if GMS had not raised US$ 50.0 million of equity by 31 December 2022.

On 2 January 2023, as the US$ 50.0 million equity raise did not take place, therefore 87,621,947 warrants were issued to the lenders. Based on the final report prepared by a Calculation Agent, the warrants give right to their holders to acquire 137,075,773 shares at an exercise price of 5.75 pence per share for a total consideration of GBP £7.9 million. Warrant holders will have the right to exercise their warrants up to the end of the term of the loan facility, being 30 June 2025 (or earlier if a refinance takes place).

# COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2022

| | Notes | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 5 | **248,580** | 229,806 |
| Other receivables | 7 | **67,663** | 43,591 |
| **Total non-current assets** | | **316,243** | 273,397 |
| **Current assets** | | | |
| Other receivables | 7 | **159** | 216 |
| Cash and cash equivalents | 6 | **2** | – |
| **Total current assets** | | **161** | 216 |
| **Creditors:** Amounts falling due within one year | | | |
| Other payables | 9 | **61,631** | 36,172 |
| Derivatives | 10 | **3,198** | – |
| **Net current liabilities** | | **64,829** | 36,172 |
| **Total assets less current liabilities** | | **251,575** | 237,441 |
| **Creditors:** Amounts falling due after more than one year | | | |
| Derivatives | 10 | **–** | 717 |
| Net assets | | **251,575** | 236,724 |
| **Equity** | | | |
| Share capital – Ordinary | 11 | **30,117** | 30,117 |
| Share capital – Deferred | 11 | **–** | 46,445 |
| Capital redemption reserve | 11 | **46,445** | – |
| Share premium account | 11 | **99,105** | 99,105 |
| Share based payment reserve | 11 | **3,631** | 3,647 |
| Retained earnings | | **72,277** | 57,410 |
| **Total equity** | | **251,575** | 236,724 |

The Company reported a profit for the financial year ended 31 December 2022 of US$ 14.9 million (2021: loss US$ 18.3 million).

The financial statements of Gulf Marine Services PLC (registered number 08860816) were approved by the Board of Directors and authorised for issue on 23 April 2023. Signed on behalf of the Board of Directors.

**Rashed Al Jarwan**
Senior Independent Director

**Mansour Al Alami**
Executive Chairman

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 2022

| | Share capital – Ordinary US$'000 | Share capital – Deferred US$'000 | Capital redemption reserve US$'000 | Share premium account US$'000 | Share based payment reserve US$'000 | Retained earnings US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 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 11*) | – | – | – | – | (18) | – | (18) |
| Capital reorganisation (*Note 11*) | (46,445) | – | – | – | – | – | (46,445) |
| Issue of share capital (*Note 11*) | 18,505 | 46,445 | – | 9,253 | – | – | 74,203 |
| Share issue costs | – | – | – | (3,228) | – | – | (3,228) |
| Cash settlement of share based payments (*Note 13*) | – | – | – | – | (74) | – | (74) |
| At 31 December 2021 | **30,117** | **46,445** | **–** | **99,105** | **3,647** | **57,410** | **236,724** |
| Profit for the year/Total comprehensive income | – | – | – | – | – | 14,867 | 14,867 |
| Share based payment charge (*Note 11*) | – | – | – | – | 45 | – | 45 |
| Capital reorganisation (*Note 11*) | – | (46,445) | 46,445 | – | – | – | – |
| Cash settlement of share based payments (*Note 13*) | – | – | – | – | (61) | – | (61) |
| **At 31 December 2022** | **30,117** | **–** | **46,445** | **99,105** | **3,631** | **72,277** | **251,575** |

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 2022

## 1 Corporate Information
Gulf Marine Services PLC ("the Company") is a public company limited by shares in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office of the Company is 107 Hammersmith Road, London, United Kingdom, W14 0QH. The registered number of the Company is 08860816. The Company is the parent company of the Gulf Marine Services PLC Group comprising of Gulf Marine Services PLC and its underlying subsidiaries ("the Group"). The 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 2024 and have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

The Group has reported a profit for the second consecutive year and is expected to continue to generate positive operating cash flows for the foreseeable future especially considering a better market outlook.

The Group was in a net current liability position as at 31 December 2022 amounting to US$ 15.8 million (31 December 2021: net current assets of US$ 4.2 million). Despite the reduction in the current asset ratio from 31 December 2021 to 31 December 2022, the Group closely monitors its liquidity and is confident to meet its short term liabilities obligations. The Group made a loan prepayment of US$3.8m in Q4 2022 which reduced the current assets (Cash) and the non-current liabilities (Bank loan) at the year end, leading to a reduction in the current ratio. The loan prepayment was made after taking into account the forecast cash inflows in Q1 2023, being sufficient to meet Group's short-term obligations.

The Group has also fully repaid its Working Capital Facility (Non-Current Liability) during the year, with payments of US$21.5m. The Working Capital Facility expires alongside the main debt facility in June 2025 and was accordingly classified as non-current liability in prior period.

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$ 30.7k for the 18-month period to 30 June 2024;
- 92% forecast utilisation for the 18-month period to 30 June 2024;
- strong pipeline of tenders and opportunities for new contracts that would commence during the forecast period.

A downside case was prepared using the following assumptions:
- no work-to-win in 2023;
- an 11 percent reduction in work to win utilisation in H1 2024;
- a reduction in day-rates for a K-Class vessel assumed to have the largest day rate, by 10 percent commencing from May 2023; and
- increase in forecast interest rate by 10 percent in H1 2024.

Based on the above scenario, the Group would not be in breach of its term loan facility. The downside case is considered to be severe but plausible and would still leave the Group with US$ 15.5 million of liquidity and in compliance with the covenants under the Group's banking facilities throughout the assessment period.

In addition to the above reasonably plausible downside sensitivity, the Directors have also considered a reverse stress test, where profit 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 2023;
- a 16% reduction in work to win utilisation in H1 2024;
- a reduction in day-rate for a K-Class vessel assumed to have the largest day rate after expiry of the current secured period; and
- increase in forecast interest rate by 10 percent in H1 2024.

Based on the above scenario there will be covenant breaches as Finance Service Cover and Interest Cover ratios would exceed the permitted levels at 30 June 2024. Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due (refer to Note 21 for maturity profiles) and in order to maintain liquidity. Potential mitigating actions include the following:
- 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.

## 2 Accounting Policies continued

### Going Concern continued

GMS continues to remain cognisant of the wider context in which it operates and the impact that climate change could have on the financial statements of the Group. The impact of climate change is expected to be insignificant in the going concern assessment period.

During January 2023, a customer of the Group entered administration. Management has ascertained that the impact of their administration is not going to affect the ability of the Group to operate as a Going Concern. As at the reporting date, the Group has provided for 50% of the receivable balance amounting to US $1.92 million. See *Note 14*.

The Group's forecasts, having taken into consideration reasonable risks and downsides, indicate that its current bank facilities along with higher utilisation secured at increased day rates and a strong pipeline of near-term opportunities for additional work 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.

### Basis of Accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. These have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 (the 'Act') to not present the Company Income Statement nor the Company Statement of Comprehensive Income. The result for the Company for the year was a profit of US$ 13.7 million (2021: loss of US$ 18.3 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.

### 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 2022.

### 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.

## 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty continued

**Recoverability of investments**

As noted above, the Company performs impairment reviews in respect of investments whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount. The recoverability of investments is primarily impacted by the cash flows of the vessels owned by the Group's subsidiary undertakings and cashflows related to the Group's debt facility.

The projection of cash flows related to vessels and debt facility requires the use of various estimates including future day rates, vessel utilisation levels, and discount rates, in which the estimate is most sensitive. For further details on analysis of the sensitivities of these estimates, refer to Note 5. The Company undertook a full impairment review of its investments during the year. The review led to the recognition of an aggregate impairment reversal of US$ 18.8 million (2021: impairment charge US$ 17.0 million) on the investment in subsidiaries (see Note 5). As at 31 December 2022, the Company had investments of US$ 248.6 million (2021: US$ 229.8 million).

## 4 Dividends

There was no interim dividend declared or paid in 2022 (2021: Nil).

No final dividend in respect of the year ended 31 December 2022 (2021: Nil at the 2022 AGM) is to be proposed at the 2022 AGM.

## 5 Investment in Subsidiaries

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Gross investments in subsidiaries as at 01 January | **574,472** | 574,995 |
| Capital (reduction)/contribution in subsidiary in relation to derivative liability (*Note 9*) | **–** | (523) |
| **Gross investments in subsidiaries as at 31 December** | **574,472** | 574,472 |
| Impairments as at 1 January | **(344,666)** | (327,670) |
| Impairment reversal/(charge) of investments in year | **18,774** | (16,996) |
| **Impairments as at 31 December** | **(325,892)** | (344,666) |
| Carrying amount as at 31 December | **248,580** | 229,806 |

Based on the impairment reviews performed in previous years, management recognised impairment losses of US$ 327.67m and US$ 17.0m for the year ended 31 December 2020 ("FY20") and for the year ended 31 December 2021 ("FY21") respectively.

As at 31 December 2022, and in line with the requirements, management concluded that a formal impairment assessment was required. Factors considered by management included favourable indicators, including an improvement in utilization rates, daily chartered rates and an increase in market values of vessels, and unfavourable indicators including a rise in interest rates as well as the market capitalization of the group remaining below the book value of the groups equity.

As at 31 December 2022, 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. As such management decided to perform a formal impairment assessment to determine the 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. The risk adjusted cash flows were discounted using the post-tax discount rate of 12.1% (2021: 12.1%), which is based on the Group's weighted average cost of capital. The cost of equity incorporated in the computation of the discount rate is based on the industry sector average betas, risk-free rate of return as well as Group specific risk premium reflecting any additional risk factors relevant to the Group. A post tax discount rate was used as the cashflows to derive the value in use of investments in subsidiaries includes the impacts of tax as described above.

The review led to the recognition of an aggregate impairment reversal of US$ 18.77 million (2021: Impairment charge of US$ 17.0 million) on the investment in subsidiaries. The assessment described above takes into account complete profitability of underlying investments which also included implications of tax and debt.

The Company has conducted an analysis of the sensitivity of the impairment test to reasonably possible changes in the key assumptions (day rates, utilisation and nominal post-tax discount rates) used to determine the recoverable amount of investments.

The first sensitivity modelled a 10% increase/reduction to day rates over the remaining useful economic life of vessels included in investments. A second sensitivity modelled a 10% increase/reduction to utilisation rates. Management would not expect an assumption change of more than 10% across all vessels within the next financial year, and accordingly believes that a 10% sensitivity to day rates and utilisation is appropriate.

A third sensitivity was modelled where a 1% increase/decrease was applied to the post-tax discount rate mentioned above. Following consultations with external advisors in 2021, 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. The same companies are used in 2022 as these are deemed to be more specific to GMS's capital structure and management still consider a 1% sensitivity on discount rate to be appropriate.

The results of the first sensitivity indicated that a 10% decrease to day rates would lead to decrease the impairment reversal by US$ 18.77 million to US$ nil and an additional impairment charge of US$ 108.79 million. In comparison, a 10% increase to day rates would increase the impairment reversal by US$ 93.41 million. The total carrying amount of investments would be US$ 138.01 million and US$ 358.98 million, respectively.

The results of the second sensitivity indicated that a 10% decrease to utilisation would lead to decrease the impairment reversal by US$ 18.77 million to US$ nil and an additional impairment charge of US$ 108.79 million. In comparison, a 10% increase to utilisation would increase the impairment reversal booked by US$ 42.11 million. The total carrying amount of investments would be US$ 138.01 million and US$ 307.68 million, respectively.

The results of the third sensitivity indicated that a 1% decrease to the post-tax discount rate would lead to an increase in impairment reversal booked by US$ 23.45 million whereas a 1% increase to the post-tax discount rate would lead to an decrease to the impairment reversal charge booked during the period of US$ 18.77 million to zero and an additional impairment of US$ 34.02 million. The total carrying amount of investments would be US$ 289.03 million and US$ 212.79 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 2022 | 2021 | 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 Cash and Cash Equivalents

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Interest bearing** | | |
| Cash at bank | **2** | – |
| **Total cash at bank and in hand** | **2** | – |

## 7 Other Receivables

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Non-current assets** | | |
| Amounts receivable from Group undertakings | **67,663** | 43,591 |
| | **67,663** | 43,591 |
| **Current assets** | | |
| Prepayments | **159** | 216 |
| | **159** | 216 |
| | **67,822** | 43,807 |

Amounts receivable from Group undertakings are interest-free, unsecured and have no fixed repayment terms.

## 8 Deferred Tax Asset

At the reporting date, the Company has unused tax losses of US$ 18.4 million available for offset against future profits (2021: US$ 12.8 million). These UK tax losses may be carried forward indefinitely. The company is not expected to have any future taxable profits to be able to utilise the deferred tax assets and therefore no deferred tax asset has been recognised in the current year (2021: US$ Nil).

## 9 Other Payables

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Amounts owed to Group undertakings | **60,801** | 35,606 |
| Accruals | **830** | 566 |
| | **61,631** | 36,172 |

Amounts owed to Group undertakings are current, interest-free, unsecured and have no fixed repayment terms. Balances with related parties are repayable on demand. The present value of the liability is deemed to equal the undiscounted cash amount payable. No interest charge is therefore imputed on these amounts.

## 10 Derivative Financial Instruments

### Derivative Liability – Contract to Issue Warrants

Under the terms of the Group's loan facility, the Group is required to issue warrants to its lenders if GMS had not raised US$ 50.0 million of equity by 31 December 2022.

On 2 January 2023, as the US$ 50.0 million equity raise did not take place, therefore 87,621,947 warrants were issued to the lenders. Based on the final report prepared by a Calculation Agent, the warrants give right to their holders to acquire 137,075,773 shares at an exercise price of 5.75 pence per share for a total consideration of GBP £7.9 million. Warrant holders will have the right to exercise their warrants up to the end of the term of the loan facility being 30 June 2025 (or earlier if a refinance takes place).

As the 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 derivative as at 31 December 2022 was US$ 3.2 million (31 December 2021: US$ 0.7 million). As the derivative was settled in January 2023, the balance is recognised as a current liability as at 31 December 2022.

## 10 Derivative Financial Instruments continued

### Derivative Liability – Contract to Issue Warrants continued

The movement in the derivative financial statements is as follows:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| As at 1 January | **(717)** | (1,449) |
| Net loss on changes in fair value of derivative liabilities | **(2,481)** | (232) |
| Derecognition of derivative liability warrants | **–** | 1,890 |
| Initial recognition of derivative liability | **–** | (926) |
| **As at 31 December** | **(3,198)** | (717) |

## 11 Share Capital and Reserves

The share capital of Gulf Marine Services PLC was as follows:

**Ordinary shares at £0.02 per share**

| | Number of ordinary shares (Thousands) | Ordinary shares US$'000 |
|---|---|---|
| At 1 January 2021 | 350,488 | 58,057 |
| Placing of new shares | 665,927 | 18,505 |
| Capital reorganisation | – | (46,445) |
| **As at 31 December 2021 and 31 December 2022** | 1,016,415 | 30,117 |

**Deferred shares at £0.08 per share**

| | Number of ordinary shares (Thousands) | US$'000 |
|---|---|---|
| At 1 January 2022 | 350,488 | 46,445 |
| Buyback and cancellation of deferred shares | (350,488) | (46,445) |
| **As at 31 December 2022** | – | – |

**Deferred shares at £0.08 per share**

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

**Capital redemption reserve**

| | Number of ordinary shares (Thousands) | Capital redemption reserve US$'000 |
|---|---|---|
| At 1 January 2022 | – | – |
| Placing of new shares | 350,488 | 46,445 |
| **As at 31 December 2022** | 350,488 | 46,445 |

**Share premium**

| | Number of ordinary shares (Thousands) | Share premium account US$'000 |
|---|---|---|
| At 1 January 2021 | 350,488 | 93,080 |
| Placing of new shares* | 665,927 | 6,025 |
| **As at 31 December 2021 and 2022** | 1,016,415 | 99,105 |

* net of issue costs of US$ 3,228,000.

Prior to an equity raise on 28 June 2021 the Group underwent a capital reorganisation where all existing ordinary shares with a nominal value of 10 pence per share were subdivided and re-designated into 1 ordinary share with a nominal value of 2 pence and 1 deferred share with a nominal value of 8 pence each. The previously recognised share capital balance relating to the old 10p ordinary shares was allocated pro rata to the new subdivided 2p ordinary shares and 8p deferred shares. The deferred shares had no voting rights and no right to the profits generated by the Group. On winding-up or other return of capital, the holders of deferred shares had extremely limited rights if any. The Group had the right but not the obligation to buyback all of the Deferred Shares for an amount not exceeding £1.00 in aggregate, which with the shareholders approval, was completed on June 30, 2022. Accordingly, 350,487,787 deferred shares were cancelled. Following the cancellation of the Deferred shares on 30 June 2022, a transfer of $46.4 million was made from Share capital – Deferred to a Capital redemption reserve. There was no dilution to the shares ownership as a result of the share reorganisation.

Under the Companies Act a share buy-back by a public company (such as the Company) can only be financed through distributable reserves or the proceeds of a fresh issue of shares made for the purpose of financing a share buyback. The Company had sufficient reserves to purchase the Deferred shares for £1.00.

The Company has one class of ordinary shares, which carry no right to fixed income.

The share premium account contains the premium arising on issue of equity shares, net of related costs.

The Company's share-based payment reserve of US$ 3.6 million (2021: US$ 3.6 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 13*. The share-based payment charge during the year was US$ 0.05 million (2021: share-based payment credit of US$ 0.02 million).

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

## 12 Staff Numbers and Costs

The average monthly number of employees (including executive directors) was:

| | 2022 Number | 2021 Number |
|---|---|---|
| Administration | **3** | 4 |
| | **3** | 4 |

Their aggregate remuneration comprised:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Wages and salaries | **256** | 241 |
| | **256** | 241 |

## 13 Long Term Incentive Plans

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

The employment condition attached to the Company LTIP's is that each eligible employee of the Company must remain in employment during the three-year vesting period. LTIP awards granted in 2019 and 2020 were aligned to Company's share performance. The release of these shares was conditional upon continued employment and market vesting conditions. There were no LTIP awards granted during 2021.

During the year ended 31 December 2022, additional LTIPs awards were granted to the Chairman and Senior Management. The awards would vest over three years subject to the same employment conditions described above and performance conditions being met in 2024 based on defined ranges. There was an underpin condition such that no awards would vest if the debt leverage in the Group exceeded 4.0 times EBITDA at 31 December 2022. As this criteria had not been met all LTIP awards issued in 2022 were forfeited.

Equity-settled share-based payments were measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo 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 performance conditions, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

Non-market vesting conditions were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period was based on the number of awards that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payment granted.

To the extent that share-based payments are granted to employees of the Company's subsidiaries without charge, the share-based payment is capitalised as part of the cost of investment in subsidiaries.

## 13 Long Term Incentive Plans continued

During the year cash settlements amounting to US$ 0.06 million (2021: US$ 0.07 million) were made to employees in respect of share options.

The number of share awards granted by the Company during the year is given in the table below:

| | 2022 000's | 2021 000's |
|---|---|---|
| **At the beginning of the year** | **2,499,714** | 6,573,229 |
| Granted in the year | **9,460,000** | – |
| Cash settled in the year | **(921,311)** | (1,854,298) |
| Forfeited in the year | **(9,862,390)** | (2,219,217) |
| Lapsed | | – |
| **At the end of the year** | **1,176,014** | 2,499,714 |

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2022 was 0.1 years (31 December 2021: 0.5 years). The weighted average fair value of shares granted during the period to 31 December 2022 was US$ 0.057 million (31 December 2021: US$ nil).

| | LTIP | LTIP | LTIP |
|---|---|---|---|
| Grant date | 14 Jun 2022 | 29 May 2020 | 15 Nov 2019 |
| Share price | £0.06 | £0.09 | £0.08 |
| Expected volatility | 102% | 120% | 103% |
| Risk-free rate | 2.17% | 0.01% | 0.48% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |
| Vesting period | 3 years | 3 years | 3 years |
| Award life | 3 years | 3 years | 3 years |

The expected share price volatility of Gulf Marine Services PLC shares was determined 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. All of the deferred shares will be subject to a right of repurchase by the Company for an aggregate sum of £1 following admission. These shares were cancelled when repurchased.

## 14 Events After the Reporting Period

### Administration of a Customer

During January 2023, a customer of Gulf Marine Service (UK) Limited entered administration. The Company has traded with this customer during the year and management has ascertained that the impact of their administration is not going to affect the ability of the Group to operate as a Going Concern. The Company has provided for a provision for bad and doubtful debts of US $1.92 million. Further details are disclosed in *Note 9* of the consolidated financial statements.

### Issue of Warrants

Under the terms of the Group's loan facility, the Group is required to issue warrants to its lenders if GMS had not raised US$ 50.0 million of equity by 31 December 2022.

On 2 January 2023, as the US$ 50.0 million equity raise did not take place, therefore 87,621,947 warrants were issued to the lenders. Based on the final report prepared by a Calculation Agent, the warrants give right to their holders to acquire 137,075,773 shares at an exercise price of 5.75 pence per share for a total consideration of GBP £7.9 million. Warrant holders will have the right to exercise their warrants up to the end of the term of the loan facility, being 30 June 2025 (or earlier if a refinance takes place).

# 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 2022), and any exceptional costs. This measure provides additional information regarding earnings per share attributable to the underlying activities of the business. A reconciliation of this measure is provided in *Note 32*.

**Adjusted EBITDA** – represents operating profit after adding back depreciation (deduction for reversal of impairment during 2022), 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 31*.

**Adjusted EBITDA margin** – represents adjusted EBITDA divided by revenue. This measure provides additional information on underlying performance as a percentage of total revenue derived from the Group.

**Adjusted gross profit/(loss)** – represents gross profit/loss after deducting reversal of impairment/adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in *Note 31*.

**Adjusted net profit/(loss)** – represents net profit/(loss) after adding back net impairment reversals. This measure provides additional information in assessing the Group's total performance that management is more directly able to influence and, on a basis, comparable from year to year. A reconciliation of this measure is provided in *Note 31* of these results.

**Average fleet utilisation** – represents the percentage of available days in a relevant period during which the fleet of SESVs is under contract and in respect of which a customer is paying a day rate for the charter of the SESVs.

Average fleet utilisation is calculated by adding the total contracted days in the period of each SESV, divided by the total number of days in the period multiplied by the number of SESVs in the fleet.

**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:

| | **2022 US$'000** | 2021 US$'000 |
|---|---|---|
| Statutory cost of sales | **80,411** | 69,460 |
| Less: depreciation and amortisation | **(29,181)** | (28,241) |
| | **51,230** | 41,219 |

**EBITDA** – represents earnings before interest, tax, depreciation and amortisation, which represents operating profit after adding back depreciation and amortisation. This measure provides additional information of the underlying operating performance of the Group. A reconciliation of this measure is provided in *Note 31*.

**Margin** – revenue less cost of sales before depreciation, amortization and impairment as identified in *Note 31* 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:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Statutory bank borrowings | **328,085** | 379,526 |
| Less: cash and cash equivalents | **(12,275)** | (8,271) |
| | **315,810** | 371,255 |

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:

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| A: Net bank debt, as identified above | **315,810** | 371,255 |
| B: Adjusted EBITDA, as disclosed in *Note 31* | **71,478** | 64,124 |
| Net leverage ratio (A/B): | **4.42** | 5.78 |

**Non-operational finance expenses** – this pertains to the following items below as disclosed in *Note 35*, Finance expense.

| | 2022 US$'000 | 2021 US$'000 |
|---|---|---|
| Cost to acquire new bank facility | **–** | (3,165) |
| Fair value adjustment on recognition of new debt facility | **–** | 1,439 |
| | **–** | (1,726) |

**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. |
| 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<br>a) Net finance charges for that period; and<br>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:<br>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;<br>ii) Excluding any amount of PIK that accretes in that period;<br>iii) Including the amount of the capital element of any amounts payable under any Finance Lease in respect of that period; and<br>iv) Adjusted as a result of any voluntary or mandatory prepayment |
| Debt Service Cover | Represents the ratio of Adjusted EBITDA to debt service. |
| GCC | Gulf Cooperation Council. |
| GMS core fleet | Consists of 13 SESVs, with an average age of twelve 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:<br>a) 2.5% per annum when Net Leverage reduces below 5.0x<br>b) Nil when Net Leverage reduces below 4.0x<br><br>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.<br><br>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, and exceptional related costs. |
| Utilisation | The percentage of calendar days in a relevant period during which an SESV is under contract and in respect of which a customer is paying a day rate for the charter of the SESV. |
| Vessel operating expense | Cost of sales before depreciation, amortisation and impairment, refer to *Note 31*. |
| 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). |

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**Lord Anthony St John of Bletso**
Independent Non-Executive Director

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