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Gulf Marine Services PLC
24 April 2023

April 24th, 2023

Gulf Marine Services PLC
('Gulf Marine Services', 'GMS', 'the Company' or 'the Group')
2022 Financial Results

Gulf Marine Services PLC ("GMS" or the "Company"), a leading provider of advanced self-propelled, self-elevating support vessels serving the offshore oil, gas and renewables industries, is pleased to announce its full year financial results for the year to 31 December 2022.

Financial Overview:

	2022	2021	2020
	US$m	US$m	US$m
Revenue	**133.2**	115.1	102.5
Gross profit/(loss)	**60.5**	60.6	(55.5)
Adjusted EBITDA	**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)	**17.6**	18.0	(15.3)

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.
- Adjusted EBITDA increased 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 general and administrative costs 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 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 reduced to US$ 315.8 million (2021: US$ 371.3 million). Net leverage ratio reduced to 4.4 times (2021: 5.8 times).

2022 Operational Highlights

- Average fleet utilization increased by 4 percentage points to 88% (2021: 84%) with a notable improvement in E-Class vessels at 82% (2021: 72%). Average utilization for K-Class vessels improved marginally to 87% (2021: 86%), whilst there was a small decrease in average utilization 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.
- Six new contracts in the year, worth US$ 271.0 million (2021: nine contracts worth US$ 66.0 million), with new charters and extensions secured in the year totaled 19.4 years (2021: 9.6 years). Operational downtime increased to 2.2% (2021: 1.5%).

2023 Highlights and Outlook

- 2023 utilization currently stands at 95% (84% being secured) against actual utilization 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 recognized with a value of US$ 7.8 million indicative of continuing to improve long-term market conditions.
- The Group expects its financial performance to continue to improve and reiterates its EBITDA guidance of between US$ 75-US$ 83 million for 2023.
- Group anticipates net leverage ratio to be below 4.0 times before the end of 2023.

Mansour Al Alami, Executive Chairman said: "We are proud of the results achieved in 2022 as they set the path for further growth in 2023 and beyond. Our safety record remains very satisfactory. We also delivered on our plans to control emissions. We have had the highest repayment of our debt from operations on record, doubling what we had committed to through the syndicate agreement. The backlog on hand confirms the market demand for our services remains strong. The increase in chartering rates helps us get back on a favorable trajectory, despite increase in interest rates. Despite our best efforts and for reasons beyond our control, our leverage remained above 4x fueling our eager to continue to deleverage. We look forward to continuing this journey making sure that our topline growth and control spending measures continue to service the debt and meeting the covenants. On behalf of the Board, I would like to thank all our staff for a year of hard work and for their continued commitment to GMS. I would also like to thank our stakeholders, including customers, suppliers, and lenders for their support during the past year and I look forward to continuing working with them in the future".

This announcement contains inside information and is provided in accordance with the requirements of Article 17 of the Market Abuse Regulation (EU) No. 596/2014 (as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended).

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Mansour Al Alami Executive Chairman

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Notes to Editors:

Gulf Marine Services PLC, a company listed on the London Stock Exchange, was founded in Abu Dhabi in 1977 and has become a world leading provider of advanced self-propelled self-elevating support vessels (SESVs). The fleet serves the oil, gas and renewable energy industries from its offices in the United Arab Emirates, Saudi Arabia and Qatar. The Group's assets are capable of serving clients' requirements across the globe, including those in the Middle East, Southeast Asia, West Africa, North America, the Gulf of Mexico and Europe. The GMS fleet of 13 SESVs is amongst the youngest in the industry, with an average age of 12 years. The vessels support GMS's clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are opex-led activities), as well as offshore oil and gas platform installation and decommissioning and offshore wind turbine installation (which are capex-led activities). The SESVs are categorised by size - K-Class (Small), S-Class (Mid) and E-Class (Large) - with these capable of operating in water depths of 45m to 80m depending on leg length. The vessels are four-legged and are self- propelled, which means they do not require tugs or similar support vessels for moves between locations in the field; this makes them significantly more cost-effective and time-efficient than conventional offshore support vessels without self-propulsion. They have a large deck space, crane capacity and accommodation facilities (for up to 300 people) that can be adapted to the requirements of the Group's clients. Gulf Marine Services PLC's Legal Entity Identifier is 213800IGS2QE89SAJF77 www.gmsuae.com

CHAIRMAN'S REVIEW

Strapline: 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%), the highest level seen by the Group since 2016. There was a notableimprovement 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

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 day 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). The increase in financial costs from US$14.5 million in 2021 to US$ 20.1 in 2022 offset 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%. For 2023, 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.

	2022	2021	2020
	US$m	US$m	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.

Removal of material uncertainty

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

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.

Task Force 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, which will be published as part of the annual report.

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 EBITDA guidance of between US$ 75-US$ 83 million for 2023.

Mansour Al Alami
Executive Chairman
24 April 2023

FINANCIAL REVIEW

	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**
Net asset reversal/(impairment)	**7.8**	**15.0**	**(87.2)**
Profit/(loss) for the year	**25.4**	**31.2**	**(124.3)**
Adjusted profit/(loss)[2]	**17.6**	**18.0**	**(15.3)**

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.

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 below 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%).

	Revenue US$'000		**Gross profit/(loss) US$'000**		**Adjusted gross profit/(loss) US$'000***	
Vessel Class	**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 impairments 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 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$ 10.5 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 assets at 31 December 2022 were US$ 53.6 million (2021: US$ 57.2million). Cash and cash equivalents increased to US$ 12.3 million (2021: US$ 8.3 million). Trade and other receivables decreased to US$ 40.9 million (2021: US$ 48.9 million) of which US$ 33.2 million (2021: US$ 41.9 million) related to net trade receivables and US$ 7.7 million (2021: US$ 7.0 million) to other receivables. The decrease in trade receivables was mainly driven by the effort of the Group to collect cash on a timely manner from customers. Trade receivables are primarily with NOC and EPC companies, with over 97% being aged between 0-60 days. Out of the year-end balance, over US$ 20 million has subsequently been collected.

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$ 7.5million, 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$ 30.0m 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 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

24 April 2023

GULF MARINE SERVICES PLC 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.

GULF MARINE SERVICES PLC 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		**[illegible]**	[illegible]

	Note	2022	2021
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	**-**	1,793
Total non-current liabilities		**301,902**	358,651
Total liabilities		**371,245**	411,689
Total equity and liabilities		**658,819**	674,397

GULF MARINE SERVICES PLC 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	**cont in** U
At 1 January 2021	58,057	–	–	93,080	272	(49,710)	3,740	9,177	(836)	(1,995)	93,385	205,170	
Profit for the year	–	–	–	–	–	–	–	–	–	–	31,001	31,001	
<u>Other comprehensive income for the year</u>													
Net hedging gain on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	–	–	278	–	–	278	
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	(91)	–	(91)	
Total comprehensive income for the year	–	–	–	–	–	–	–	–	278	(91)	31,001	31,188	
<u>Transactions with owners of the Company</u>													
Share based payment charge *(Note 16,28)*	–	–	–	–	–	–	(18)	–	–	–	–	(18)	
Capital reorganisation *(Note 12)*	(46,445)	–	–	–	–	–	–	–	–	–	–	(46,445)	
Issue of share capital *(Note 12)*	18,505	46,445	–	9,253	–	–	–	–	–	–	–	74,203	
Share issue costs *(Note 12)*	–	–	–	(3,228)	–	–	–	–	–	–	–	(3,228)	
Cash settlement of share-based payments (Note 27)	–	–	–	–	–	–	(74)	–	–	–	–	(74)	
Total transactions with owners of the Company	(27,940)	46,445	–	6,025	–	–	(92)	–	–	–	–	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	
Profit for the year	–	–	–	–	–	–	–	–	–	–	**25,326**	**25,326**	
<u>Other comprehensive income for the period</u>													
Net hedging gain on interest hedges reclassified to	–	–	–	–	–	–	–	–	**279**	–	–	**279**	

the profit or loss												
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	**(799)**	–	**(799)**
Total comprehensive income for the year	–	–	–	–	–	–	–	–	**279**	**(799)**	**25,326**	**24,806**
<u>Transactions with owners of the Company</u>												
Capital reorganisation (Note 13)	–	**(46,445)**	**46,445**	–	–	–	–	–	–	–	–	**-**
Share based payment charge *(Note 16,28)*	–	–	–	–	–	–	**45**	–	–	–	–	**45**
Cash settlement of share- based payments (Note 27)	–	–	–	–	–	–	**(61)**	–	–	–	–	**(61)**
Total transactions with owners of the Company	–	**(46,445)**	**46,445**	–	–	–	**(16)**	–	–	–	–	**(16)**
At 31 December 2022	**30,117**	**-**	**46,445**	**99,105**	**272**	**(49,710)**	**3,632**	**9,177**	**(279)**	**(2,885)**	**149,712**	**285,586**

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

GULF MARINE SERVICES PLC 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**

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.

The financial information for the year ended 31 December 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditor's report on the full financial statements for the year ended 31 December 2021 was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section s498 (2) or (3) of the 2006 Companies Act.

The preliminary announcement does not constitute the Group's statutory accounts for the year ended 31 December 2022, but is derived from those accounts. Statutory accounts for the year ended 31 December 2022 were approved by the Directors on 23 April 2023 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The independent auditor's report on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section s498 (2) or (3) of the 2006 Companies Act.

The 2022 Annual Report will be posted to shareholders in advance of the Annual General Meeting.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs"), this announcement does not itself contain sufficient information to comply with the disclosure aspects of IFRSs.

The consolidated preliminary announcement of the Group has been prepared in accordance with IFRSs, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities, including derivative instruments, at fair value.

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.	

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

New and revised IFRSs (continued)

	Effective for annual periods beginning on or after
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 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.

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

New and revised IFRSs (continued)

	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.

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

New and revised IFRSs (continued)

	Effective for annual periods beginning on or after
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 The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2023
IFRS 17 *Insurance Contracts* 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.	1 January 2023

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 The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendment replaces all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	1 January 2023
Amendments to IAS 8 *Accounting Policies Changes in Accounting Estimates and Errors*-Definition of Accounting Estimates 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.	1 January 2023

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 12 *Income Taxes*-Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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	

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

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

New and revised IFRSs in issue but not yet effective (continued)

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: 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.

3 Significant accounting policies (continued)

Going concern (continued)

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.

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 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.

3 Significant accounting policies (continued)

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

3 Significant accounting policies (continued)

Basis of consolidation (continued)

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

3 Significant accounting policies (continued)

Basis of consolidation (continued)

			Proportion of Ownership Interest		
Name	**Place of Registration**	**Registered Address**	**2022**	2021	**Type of Activity**
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)

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 measure 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

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.

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.

3 Significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

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.

3 Significant accounting policies (continued)

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.

3 Significant accounting policies (continued)

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.

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).

Provisions (continued)

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).

Foreign currencies (continued)

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.

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share based payments

Long term incentive plans

The fair value of an equity instrument is determined at the grant date based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available for share awards, the fair value of the equity instruments is estimated using a valuation technique to derive an estimate of what the price of those equity instruments would have been at the relevant measurement date in an arm's length transaction between knowledgeable, willing parties.

Equity-settled share-based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte-Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Group's share price at the date of grant. The fair value measurement reflects all market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Financial assets

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

3 Significant accounting policies (continued)

Financial assets (continued)

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.

3 Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

3 Significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities (Continued)

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

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

Derivative financial instruments

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

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

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

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

Cash flow hedges

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

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

The Group designates interest rate swaps ("IRS") 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.

3 **Significant accounting policies** (continued)

Financial liabilities and equity instruments (continued)

Derivative financial instruments (continued)

Cash flow hedges (continued)

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 areestimated 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.

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

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
Cost			
At 1 January 2021	890,012	3,927	59,902
Additions	–	**8,306**	–
Transfers	**6,859**	**(7,191)**	**332**
At 31 December 2021	**896,871**	**5,042**	**60,234**
Additions	–	**3,336**	–
Transfers	**1,329**	**(1,612)**	**-**
At 31 December 2022	**898,200**	**6,766**	**60,234**

5 Property and equipment (continued)

	Vessels	Capital work-in progress	Vessel spares, fitting and other equipment

	Vessels	in-progress	and other equipment
	US$'000	US$'000	US$'000
Accumulated depreciation and impairment			
At 1 January 2021	331,405	2,845	14,774
Depreciation expense *(Note 37)*	19,492	–	3,244
Reversal of impairment	(14,959)	–	–
At 31 December 2021	335,938	2,845	18,018
Depreciation expense *(Note 37)*	20,365	–	3,201
Impairment charge	13,192	-	-
Reversal of impairment	(20,980)	-	-
At 31 December 2022	**348,515**	**2,845**	**21,219**
Carrying amount			
At 31 December 2022	**549,685**	**3,921**	**39,015**
At 31 December 2021	**560,933**	**2,197**	**42,216**

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)*.

5 Property and equipment (continued)

Impairment

In accordance with the requirements of IAS 36 - Impairment of Assets, the Group assesses at each reporting period if there is any indication an additional impairment would need to be recognised for its vessels and related assets, or if the impairment loss recognised in prior periods no longer 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.

5 Property and equipment (continued)

Impairment (continued)

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

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 utilisation (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%)

5 Property and equipment (continued)

Impairment (continued)

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 of 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%**	
Vessels class	Impact (in US$ millions)	Number of vessels impacted	Impact (in US$ millions)	Number of vessels impacted
	(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.

5 Property and equipment (continued)

Impairment (continued)

Key assumption sensitivities (continued)

Utilisation

	Utilisation higher by 10%		**Utilisation lower by 10%**	
Vessels class	Impact (US$m)	Number of vessels impacted	Impact (US$m)	Number of vessels impacted
	(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.

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%**	
Vessels class	Impact (US$m)	Number of vessels impacted	Impact (US$m)	Number of vessels impacted
	(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	2021
	US$'000	US$'000
At 1 January	**8,799**	10,391
Expenditure incurred during the year	**5,745**	3,911
[illegible]	[illegible]	[illegible]

Amortised during the year *(Note 36)*	**(5,613)**	(5,503)
At 31 December	**8,931**	8,799

7 Right-of-use assets

	Buildings	Communications equipment	Operating equipment	Total
	US$'000	US$'000	US$'000	US$'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	2021
	US$'000	US$'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	2021
	US$'000	US$'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.

8 Taxation charge for the year (continued)

Factors affecting current and future tax charges

<u>*United Kingdom (UK)*</u>

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.

<u>*United Arab Emirates (UAE)*</u>

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.

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	2021
	US$'000	US$'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.

9 Trade receivables (continued)

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

	2022	2021
	US$'000	US$'000
At 1 January	**195**	133
Movement of ECL provision during the year (*Note 36*)	**1,921**	62

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	**< 30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**> 120 days**	**Total**
	US$'000	US'000	US'000	US'000	US'000	US'000	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	2021
	US$'000	US$'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$ 30.8million). 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.

11 Derivative financial instruments (continued)

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**
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).

	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	-	-

13 Share capital and other reserves (continued)

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 buyback 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	2021
	US$'000	US$'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	2021
	US$'000	US$'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	2021
	US$'000	US$'000

	2022	2021
	US$'000	US$'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	2021
	US$'000	US$'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	2021
	US$'000	US$'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	2021
	US$'000	US$'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	2021
	US$'000	US$'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

22 **Bank borrowings (continued)**

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). USD$ 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.

22 **Bank borrowings (continued)**

	Outstanding amount			
	Current	**Non-current**	**Total**	**Se**
	US$'000	US$'000	US$'000	
31 December 2022:				
Term loan - scheduled repayments within one year	**30,000**	**-**	**30,000**	**Se**
Term loan - scheduled repayments within more than one year	**-**	**298,085**	**298,085**	**Se**
Working capital facility - scheduled repayment more than one year	**-**	**-**		**Se**

	30,000	**298,085**	**328,085**	
31 December 2021:				
Term loan - scheduled repayments within one year	26,097	-	26,097	Se
Term loan - scheduled repayments within more than one year	-	331,929	331,929	Se
Working capital facility - scheduled repayment within one year	-	21,500	21,500	Se
	26,097	353,429	379,526	

23 Lease liabilities

	2022	2021
	US$'000	US$'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 [X].

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 [x]. 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

Sigma Enterprise Company LLC	Affiliate of a significant shareholder of the Company
Aman Integrated Solutions LLC	Affiliate of a significant shareholder of the Company

The amounts outstanding to 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).

24 Related party transactions (continued)

Significant transactions with the related party during the year:

	2022	2021
	US$'000	US$'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	2021
	US$'000	US$'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 page [x].

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	2021
	US$'000	US$'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.

27 Financial instruments (continued)

Categories of financial instruments (continued)

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)*.

27 Financial instruments (continued)

Credit risk management (continued)

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. During the year, vessels were chartered to 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.

27 Financial instruments (continued)

Liquidity risk management

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

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

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

	Interest rate	**Total**	**1 to 3 Months**	**4 to 12 Months**	**2 to 5 years**
			US$'000	US$'000	US$'000
31 December 2022					

	Interest rate	Total	1 to 3 months	4 to 12 months	2 to 5 years
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	1 to 3 months	4 to 12 months	2 to 5 years
		US$'000	US$'000	US$'000	US$'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
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.*

27 Financial instruments (continued)

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.

27 Financial instruments (continued)

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		**Liabilities**	
	31 December		**31 December**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'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.

The number of share awards granted by the Group during the year is given in the table below:

	2022	2021
	000's	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).

28 Long term incentive plans (continued)

	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 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	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'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)
Impairment loss			**(13,192)**	-
Reversal of impairment			**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 vesselswas 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.

30 Segment reporting (continued)

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 customersis 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	2021
	US$'000	US$'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

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	2021
	US$'000	US$'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	2021
	US$'000	US$'000
K-Class vessels	**(9,100)**	(4,852)
S-Class vessels	**4,631**	-
E-Class vessels	**(3,319)**	(10,107)
	(7,788)	(14,959)

30 Segment reporting (continued)

Type of work (continued)

	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	**Adjusting items**	**Statutory total**	Adjusted non-GAAP results	Adjusting items	Statutory total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'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 page [x] 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	**Adjusting items**	**Statutory total**	Adjusted non-GAAP results	Adjusting items	Statutory total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'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	2021
	'000s	'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	2021
	US$'000	US$'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	2021
	US$'000	US$'000
Bank interest	**11**	9

35 Finance expense

	2022	2021
	US$'000	US$'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	2021
	US$'000	US$'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	2021
	Number	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.

36 Profit for the year (continued)

Their aggregate remuneration comprised:

	2022	2021
	US$'000	US$'000
Wages and salaries	**26,845**	31,039
End of service benefit *(Note 20)*	**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	2021
	US$'000	US$'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	2021
	US$'000	US$'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)

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 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	**Lease liabilities**	**Bank borrowings**
	(Note 11)	*(Note 23)*	*(Note 22)*
	US$'000	US$'000	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).

END

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