RNS Number : 2402J
Gulf Marine Services PLC
04 April 2024

April 04th, 2024

Gulf Marine Services PLC

('Gulf Marine Services', 'GMS', 'the Company' or 'the Group')

2023 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 2023.

2023 Overview

	2021 US$m	**2022 US$m**	**2023 US$m**	**2023 versus 2022 change**
Revenue	115.1	**133.2**	**151.6**	**+14%**
Adjusted EBITDA[1]	64.1	**71.5**	**87.5**	**+22%**
Net profit for the year	31.2	**25.4**	**42.1**	**+66%**
Average fleet utilization	84%	**88%**	**94%**	**+7%**
Underlying G&A expenses[4] as percentage of revenue	9%	**8%**	**7%**	**-13%**
Net leverage ratio[3]	5.8:1	**4.4:1**	**3.05:1**	**-31%**

2023 Financial Highlights

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

2023 Operational Highlights

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

2024 Highlights and Outlook

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

See Glossary.

1 Represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges or deducting reversal of impairment. This measure

provides additional information in assessing the Group's underlying performance that management can more directly influence in the short term and is comparable from year to year. A reconciliation of this measure is provided in Note 31 to the consolidated financial statements.

2 Represents total bank borrowings less cash.

3 Represents the ratio of net bank debt to adjusted EBITDA.

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

5 Represents adjusted EBITDA divided by revenue.

6 Represents reported cost of sales divided by revenue.

7 Represents the percentage of available days in a relevant period during which the fleet of Self Elevating Support Vessels (SESVs) is under contract and in respect of which a customer is paying a day rate for the charter of the SESVs.

CHAIRMAN'S REVIEW

Committed to Maximising Shareholder Value

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

Group performance

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

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

Capital structure and liquidity

As a result of our commitment to deleveraging, the net leverage ratio on 31 December 2023 was reduced to 3.05 times
(31 December 2022: 4.4 times), driven by a reduction in the net bank debt to US$ 267.3 million (31 December 2022: US$ 315.8 million) and with improved EBITDA for the year. Attaining a net leverage ratio below 4:1 was crucial, allowing us to limit the number of quarters we were charged PIK interest to one quarter. During the year, we lowered the cost of financing by 340 basis points. Key benefits of being below 4:1 times includes GMS meeting its covenants, being able to pay dividends and cutting some debt monitoring fees. This achievement not only highlights our financial resilience but also positions us to effectively address other challenges, as highlighted in the risk management section, while advancing on our deleveraging journey.

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

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

Governance

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

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

Commercial and operations

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

Safety

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

Task Force on Climate-related Financial Disclosures

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

Outlook

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

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

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

Mansour Al Alami
Executive Chairman
03 April 2024

FINANCIAL REVIEW

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

Revenue and Segmental Profit/Loss

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

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

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

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

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

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

Cost of Sales, Reversal of Impairment and Administrative Expenses

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

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

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

1 Represents operating profit after adding back depreciation, amortisation, non-operational items and impairment charges or deducting reversal of impairment. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. A reconciliation of this measure is provided in note 31 to the financial statements.
2 Represents gross profit after deducting reversal of impairment/adding back impairment charges. This measure provides additional information on the core profitability of the Group. A reconciliation of this measure is provided in Note 31.
3 Represents general and administrative expenses excluding depreciation and amortisation, and other exceptional costs. A reconciliation of this measure is provided in *Note 31* to the financial statements.

Adjusted EBITDA

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

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

Finance Expense

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

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

Earnings

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

Capital Expenditure

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

Cash Flow and Liquidity

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

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

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

Balance Sheet

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

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

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

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

Net Bank Debt and Borrowings

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

Going Concern

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

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

Related Party Transactions

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

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

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

Adjusting Items

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

Alex Aclimandos
Chief Financial Officer
03 April 2024

GULF MARINE SERVICES PLC

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

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

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

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

GULF MARINE SERVICES PLC

Consolidated statement of financial position
As at 31 December 2023

	Notes	2023 US$'000	2022 US$'000
ASSETS			

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

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

Jyrki Koskelo
Independent non-executive Director

Mansour Al Alami
Executive Chairman

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

GULF MARINE SERVICES PLC

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital - Ordinary	Share capital - Deferred	Capital redemption reserve	Share premium account	Restricted reserve	Group restructuring reserve	Share based payment reserve	Capital contribution	Cash flow hedge reserve	Translation Reserve	Retair earnir
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'0
At 1 January 2022	30,117	46,445	–	99,105	272	(49,710)	3,648	9,177	(558)	(2,086)	124,3
Profit for the year	–	–	–	–	–	–	–	–	–	–	25,3
Other comprehensive income for the year											
Net hedging gain on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	–	–	279	–	
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	(799)	
Total comprehensive income for the year	–	–	–	–	–	–	–	–	279	(799)	25,3
Transactions with owners of the Company											
Capital reorganisation (Note 13)	–	(46,445)	46,445	–	–	–	–	–	–	–	
Share based payment charge	–	–	–	–	–	–	45	–	–	–	
Cash settlement of share- based payments	–	–	–	–	–	–	(61)	–	–	–	
Total transactions with owners of the Company	–	(46,445)	46,445	–	–	–	(16)	–	–	–	
At 31 December 2022	30,117	–	46,445	99,105	272	(49,710)	3,632	9,177	(279)	(2,885)	149,7
Profit for the year	–	–	–	–	–	–	–	–	–	–	**41,3**
Other comprehensive income for the year											
Net hedging gain on interest hedges reclassified to the profit or loss	–	–	–	–	–	–	–	–	**279**	–	
Exchange differences on foreign operations	–	–	–	–	–	–	–	–	–	**343**	
Total comprehensive income for the year	–	–	–	–	–	–	–	–	**279**	**343**	**41,3**
Transactions with owners of the Company											
Share based payment charge	–	–	–	–	–	–	**17**	–	–	–	
Transfer of share option reserve	–	–	–	–	–	–	**(3,649)**	–	–	–	**3,6**
Total transactions with owners of the Company	–	–	–	–	–	–	**(3,632)**	–	–	–	**3,6**
At 31 December 2023	**30,117**	–	**46,445**	**99,105**	**272**	**(49,710)**	–	**9,177**	–	**(2,542)**	**194,7**

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

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

GULF MARINE SERVICES PLC

Consolidated statement of cashflows
For the year ended 31 December 2023

	Notes	2023	2022
		US$'000	US$'000
Operating activities			
Profit for the year		**42,068**	25,402
Adjustments for:			
Depreciation of property and equipment	5	**24,297**	23,695
Finance expenses	35	**31,431**	17,656
Impact of change in fair value of warrants	11	**11,077**	2,481
Amortisation of dry-docking expenditure	6	**4,687**	5,613
Depreciation of right-of-use assets	7	**3,188**	2,635
Income tax expense	8	**2,862**	1,724
Net charge of expected credit losses	9	**207**	1,825
End of service benefits charge	20	**723**	270
Impairment loss	5	**3,565**	13,192
Reversal of impairment	5	**(36,993)**	(20,980)
End of service benefits paid	20	**(468)**	(452)
Share-based payment charge	16	**-**	45
Interest income	34	**(221)**	(11)
Other income		**(12)**	(68)
Cash flows from operating activities before movement in working capital		**86,411**	73,027

Changes in:			
- trade and other receivables		**2,003**	5,610
- trade and other payables		**8,140**	5,005
Cash generated from operations		**96,554**	83,642
Taxation paid		**(2,151)**	(1,077)
Net cash generated from operating activities		**94,403**	82,565
Investing activities			
Payments for additions of property and equipment		**(3,459)**	(3,345)
Dry docking spend excluding drydock accruals		**(9,550)**	(2,970)
Interest received		**221**	11
Net cash used in investing activities		**(12,788)**	(6,304)
Financing activities			
Repayment of bank borrowings	37	**(56,174)**	(51,445)
Interest paid on bank borrowings		**(27,428)**	(17,525)
Principal elements of lease payments	37	**(3,330)**	(2,524)
Settlement of derivatives	37	**327**	(384)
Payment of issue costs on bank borrowings		**(374)**	(148)
Interest paid on leases	37	**(245)**	(170)
Cash settled share-based payments		**-**	(61)
Bank borrowings received	37	**2,000**	-
Net cash used in financing activities		**(85,224)**	(72,257)
Net (decrease) / increase in cash and cash equivalents		**(3,609)**	4,004
Cash and cash equivalents at the beginning of the year		**12,275**	8,271
Cash and cash equivalents at the end of the year	12	**8,666**	12,275
Non - cash transactions			
Cancellation of deferred shares		**-**	(46,445)
Recognition of right-of-use assets		**3,231**	3,122
Addition / (reversal) to capital accruals		**867**	(9)
Increase in drydock accruals		**2,590**	2,775

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

GULF MARINE SERVICES PLC

Notes to the consolidated financial statements
For the year ended 31 December 2023

1 General information

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

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

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

The financial information for the year ended 31 December 2022 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 2022 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 2023, but is derived from those accounts. Statutory accounts for the year ended 31 December 2023 were approved by the Directors on 03 April 2024 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.

Companies Act.

The 2023 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 derivative financial 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 2022, except for the adoption of new standards and interpretations effective as at 1 January 2023.

GULF MARINE SERVICES PLC

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2023

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

New and revised IFRSs

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

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

New and revised IFRSs in issue but not yet effective

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

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

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

3 Material accounting policies

The Group's material accounting policies adopted in the preparation of these consolidated financial statements are set out below. Except as noted in *Note 2*, these policies have been consistently applied to each of the years presented. During the year we amended the presentation of the change in fair value of the warrants in the consolidated

During the year we amended the presentation of the change in fair value of the warrants in the consolidated statement of profit or loss and other comprehensive income to provide better information to the users of the consolidated financial statements. Please see note 39 for further information.

Statement of compliance

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

Basis of preparation

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

3 Material accounting policies (continued)

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Going concern

The Directors have assessed the Group's financial position through to June 2025 and hold a reasonable expectation of its ability to continue as going concern for the foreseeable future. With three consecutive years of reported profit and a forecast of continued positive operating cash flows, particularly in light of the market outlook, the Group remains well-positioned for sustained success.
During the year, the Group made a repayment of US$ 56.2 million (2022: US$ 51.4 million) towards its borrowings, of which, US$ 26.2 million (2022: US$ 3.8 million) were over and above its contractual obligations, resulting in a reduction in the current ratio. A total of US$ 33.7 million (2022: US$ 3.8 million) was prepaid during 2023. Hence, the Group was in a net current liability position as of 31 December 2023, amounting to US $52.1 million (2022: US$15.8 million). Management closely monitors the Group's liquidity position including focus on the forecasted short-term cash flows which would be sufficient to meet the Group's current liabilities, including the current portion of the bank borrowings which represents the principal repayments due over the next 12 months. The loan prepayments were also made after ensuring that forecasted cash inflows are sufficient to meet the Group's short-term obligations.

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

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

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

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

3 Material accounting policies (continued)

Going concern (continued)

A downside case was prepared using the following assumptions:

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

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

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

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

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

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

3 Material accounting policies (continued)

Basis of consolidation

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

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

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

Republic of Panama

3 Material accounting policies (continued)

Basis of consolidation (continued)

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2023	2022	Type of Activity
Offshore Jack-up Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Kamikaze"
Offshore Structure Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Kikuyu"
Offshore Craft Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "GMS Endeavour"
Offshore Maritime Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Dormant
Offshore Tugboat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Dormant
Offshore Boat Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Kawawa"
Offshore Kudeta Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Kudeta"
GMS Endurance Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Endurance"
GMS Enterprise Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Enterprise"

3 Material accounting policies (continued)

Basis of consolidation (continued)

Name	Place of Registration	Registered Address	Proportion of Ownership Interest 2023	2022	Type of Activity
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	Panama	Bloc Office Hub, Fifth Floor,	100%	100%	Owner of Barge

Investment SA		Santa Maria Business District, Panama, Republic of Panama			"Shamal"
GMS Keloa Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Keloa"
GMS Pepper Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Pepper"
GMS Evolution Invt SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Owner of Barge "Evolution"
GMS Phoenix Investment SA	Panama	Bloc Office Hub, Fifth Floor, Santa Maria Business District, Panama, Republic of Panama	100%	100%	Dormant
Mena Marine Limited**	Cayman Islands	Ugland House, Grand Cayman, KY1-1104, Cayman Islands, P.O. Box 309	0%	100%	General investment and trading
Gulf Marine Services (Asia) Pte. Limited	Singapore	1 Scotts Road, #21-07, Shaw Centre, Singapore, 228208	100%	100%	Operator of offshore barges
Gulf Marine Services (Asia) Pte. Limited - Qatar branch	Qatar	22 Floor, Office 22, Tornado Tower, Majilis Al Tawoon Street, P.O. Box 27774, Doha, Qatar	100%	100%	Operator of offshore barges

* Held directly by Gulf Marine Services PLC.

** The subsidiary wound up on 29 December 2023.

3 Material accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

Revenue recognition

The Group recognises revenue from contracts with customers as follows:

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

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

3 Material accounting policies (continued)

Revenue recognition (continued)

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

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

Revenue recognised over time

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

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

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

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

Performance obligation 2 - Sundry income

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

Revenue recognised at a point in time

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

Performance obligation 1 - Contract demobilisation revenue

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

Performance obligation 2 - Sundry income

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

Deferred and accrued revenue

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

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

3 Material accounting policies (continued)

Leases

The Group as lessee

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

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

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

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

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

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

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

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

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

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

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

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

3 Material accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

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

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

The Group as a lessor

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

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

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

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

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

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

Property and equipment

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

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

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

Property and equipment (continued)

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

The estimated useful lives used for this purpose are:

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

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.

**Depreciation of these assets is charged to cost of sales.*

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

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

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

Dry docking

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

Capital work-in-progress

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

Impairment of tangible assets

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

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

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

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

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

Borrowing costs

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

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

Provisions

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

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

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

Employees' end of service benefits

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

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

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

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

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

Foreign currencies

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

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

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

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

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

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

Adjusting items

Adjusting items are significant items of income or expense in cost of sales, general and administrative expenses, and net finance costs, which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence. Adjusting items together with an explanation as to why management consider them appropriate to adjust are disclosed separately in *Note 31*. The Group believes that these items are useful to users of the Group's consolidated financial statements in helping them to understand the underlying business performance through alternate performance measures that are used to derive the Group's principal non-GAAP measures of adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation ("EBITDA"), adjusted EBITDA margin, adjusted gross profit/(loss), adjusted operating profit/(loss), adjusted net profit/(loss) and adjusted diluted earnings/(loss) per share, all of which are before the impact of adjusting items and which are reconciled from operating profit/(loss), profit/(loss) before taxation and diluted earnings/(loss) per share. Adjusting items include but are not limited to reversal of impairment credits/(impairment charges), restructuring costs, exceptional legal & tax costs, and non-operational finance related costs.

3 **Material accounting policies** (continued)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for each subsidiary based on the jurisdiction in which it operates. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Share based payments

Long term incentive plans

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

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

3 Material accounting policies (continued)

Financial assets

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

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

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

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

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

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

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

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Cash and cash equivalents

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

Trade receivables

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

3 Material accounting policies (continued)

Financial assets (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.

Group expects to receive, discounted at the EIR.

For trade and other receivables and contract assets, the Group applies a simplified approach.

For trade receivables and contract assets, the Group recognises loss allowances based on lifetime ECLs at each reporting date.

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

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

The Group had an expected credit loss provision of US$ 2.2 million as at 31 December 2023
(31 December 2022: US$ 2.0 million), refer to *Note 9* for further details.

The Group considers a financial asset to move into stage 3 and be in default when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities include trade and other payables, derivatives, lease liabilities and bank borrowings. All financial liabilities are classified at amortised cost unless they can be designated as at Fair Value Through Profit or Loss ("FVTPL").

Derivatives that are not designated and effective as hedging instruments are classified as financial liabilities and are held at FVTPL. Derivatives held at FVTPL are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period with the resulting gain or loss recognised in profit or loss immediately.

Trade and other payables, bank borrowings, lease liabilities, amounts due to related parties and contract liabilities are classified at amortised cost and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the EIR method, with interest expense recognised based on its effective interest rate, except for short-term payables or when the recognition of interest would be immaterial.

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

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

Derecognition of financial liabilities

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

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

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

Derivative financial instruments

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

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

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

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

3 Material accounting policies (continued)

Financial liabilities and equity instruments (continued)

Derivative financial instruments (continued)

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

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

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

Cash flow hedges

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

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

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

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

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

Warrants

The Group measures the warrants issued at fair value with changes in fair value recognised in the profit or loss.

4 Key sources of estimation uncertainty and critical accounting judgements

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

In applying the Group's accounting policies during the year, there was one critical accounting judgement relating to a subsidiary of the Group that received a tax assessment from the Saudi tax authorities (ZATCA) for an amount related to the transfer pricing of our inter-group bareboat agreement. While the Directors, guided by the Group's tax advisors, believe that the Group has complied with the relevant tax legislation and a zero balance is due, a provision of US$ 0.5

million is recognised for potential outcome in an attempt to reach an amicable solution. Further details of the tax assessment are disclosed in Note 8.

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

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

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

Impairment and reversal of previous impairment of property and equipment

The Group obtained an independent valuation of its vessels as at 31 December 2023 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does not consider these valuations to represent a reliable estimate of the fair value for the purpose of assessing the recoverable value of the Group's vessels, noting that there have been limited, if any, "willing buyer and willing seller" transactions of similar vessels in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations, management concluded that recoverable amount should be based on value in use.

Management carried out an impairment assessment of property and equipment for year ended 31 December 2023. Following this assessment management determined that the recoverable amounts of the cash generating units to which items of property and equipment were allocated, being vessels and related assets, were most sensitive to future day rates, vessel utilisation and discount rate. It is reasonably possible that changes to these assumptions within the next financial year could require a material adjustment of the carrying amount of the Group's vessels.

Management would not expect an assumption change of more than 10% in aggregate for the entire fleet within the next financial year, and accordingly, believes that a 10% sensitivity to day rates and utilisation is appropriate. Further, for discount rate, management would not expect an assumption change of more than 1% and accordingly, believes that a 1% sensitivity to discount rate is appropriate.

As at 31 December 2023, the total carrying amount of the property and equipment, drydocking expenditure, and right of use assets subject to estimation uncertainty was US$ 621.0 million (2022: US$ 605.3 million). Refer to Note 5 for further details including sensitivity analysis.

Impairment of financial assets

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

Management carried out an impairment assessment of trade receivables and contract assets for the year ended 31 December 2023. Following this assessment management considered the following criteria for impairment:

Objective evidence of impairment could include:

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Management concluded that the Group had an expected credit loss provision expense of US$ 0.2 million as at 31 December 2023 (31 December 2022: US$ 2.0 million), refer to Notes 9 for further details.

Fair valuation of Warrants

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo option-pricing model. The simulation considers sensitivity by building models of possible results by substituting a range of values. The increase in fair value of the warrants is primarily due to increase in share price and its volatility. A 10% change in share price will increase or decrease the valuation by US$ 0.2 million.

5 Property and equipment

	Vessels US$'000	Capital work-in-progress US$'000	Vessel spares, fitting and other equipment US$'000
Cost			
At 1 January 2022	896,871	5,042	60,234
Additions	–	3,336	–
Transfers	1,329	(1,612)	–
At 31 December 2022	898,200	6,766	60,234
Additions	–	**4,326**	–
Transfers	–	**(523)**	**523**
At 31 December 2023	**898,200**	**10,569**	**60,757**

5 Property and equipment (continued)

	Vessels US$'000	Capital work-in-progress US$'000	Vessel spares, fitting and other equipment US$'000
Accumulated depreciation and impairment			
At 1 January 2022	335,938	2,845	18,018
Depreciation expense *(Note 36)*	20,365	–	3,201
Impairment charge	13,192	–	-
Reversal of impairment	(20,980)	–	-
At 31 December 2022	348,515	2,845	21,219
Depreciation expense *(Note 36)*	**20,900**	–	**3,252**
Impairment charge	**3,565**	–	–
Reversal of impairment	**(36,993)**	–	–
At 31 December 2023	**335,987**	**2,845**	**24,471**
Carrying amount			
At 31 December 2023	**562,213**	**7,724**	**36,286**
At 31 December 2022	549,685	3,921	39,015

Depreciation amounting to US$ 24.3 million (2022: US$ 23.7 million) has been charged to the profit and loss, of which US$ 24.2 million (2022: US$ 23.6 million) was allocated to cost of sales *(Note 31)*. The remaining balance of the depreciation charge is included in general and administrative expenses (*Note 31*).

Vessels with a total net book value of US$ 562.2 million (2022: US$ 549.7 million), have been mortgaged as security for the loans extended by the Group's banking syndicate *(Note 22)*.

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.

Based on the impairment assessment reviews conducted in previous years, the Group recognised impairment losses of US$ 59.1 million and US$ 87.2 million in fiscal years 2019 and 2020 respectively. As conditions improved, including day rates, utilization, and market outlook, the historical impairment losses of US$ 14.9 million and US$ 21.0 million on various vessels were subsequently reversed in fiscal years 2021 and 2022, respectively. During 2022, an additional impairment loss of US$ 13.2 million was also recognised on certain vessels, primarily due to higher discount rate resulting in a net impairment reversal of US$ 7.8 million.

As at 31 December 2023, and in line with IAS 36 requirements, management concluded that a formal impairment assessment was required. Factors considered by management included favourable indicators, including an improvement in utilization, day rates, an increase in market values of vessels and decrease in interest rate, and unfavourable indicators including the market capitalization of the Group remaining below the book value of the Group's equity.

The Group has again obtained an independent valuation of its vessels as at 31 December 2023 for the purpose of its banking covenant compliance requirements. However, consistent with prior years, management does not consider these valuations to represent a reliable estimate of the fair value for the purpose of assessing the recoverable value of the Group's vessels, noting that there have been limited, if any, "willing buyer and willing seller" transactions of similar vessels in the current offshore vessel market on which such values could reliably be based. Due to these inherent limitations, management has again concluded that recoverable amount should be based on value in use.

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

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

In estimating the value in use, management estimated the future cash inflows and outflows to be derived from continuing use of each vessel and its related assets for the next four years based on its latest forecasts. The terminal value cash flows (i.e., those beyond the 4-year period) were estimated based on terminal value mid-cycle day rates and utilisation levels calculated by looking back as far as 2014, when the market was at the top of the cycle through to 2022 levels as the industry starts to emerge out of the bottom of the cycle, adjusted for anomalies. The terminal value cash flow assumptions are applied till the end of estimated useful economic life of each vessel, which is consistent with prior year. Such long-term forecasts also took account of the outlook for each vessel having regard to their specifications relative to expected customer requirements and about broader long-term trends including climate change.

The near-term assumptions used to derive future cash flows reflect contracted rates, where applicable, and thereafter the market recovery from increased activity in Self Elevated Support Vessels (SESV) market. Though the Group continues to operate in the North Sea, its core market in the long term is expected to remain in the Arabian Peninsula region which, in turn, is expected to continue to benefit from the low production costs for oil and gas in the region, the current appetite of National Oil Companies ("NOCs") to increase production and the reliance the local governments have on revenues derived from oil and gas.

Impairment (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount rate of 12.93% (2022: 13.58%) is computed on the basis of the Group's weighted average cost of capital. The cost of equity incorporated in the computation of the discount rate is based on the industry sector average betas, risk-free rate of return as well as Group specific risk premium reflecting any additional risk factors relevant to the Group. The cost of debt is based on the Group's actual cost of debt and the effective cost of debt reported by the peer group as at 31 December 2023. The weighted average is computed based on the industry capital structure.

The impairment review led to the recognition of a net impairment reversal of US$ 33.43 million. The key reason for the reversal is further improvement in general market conditions compared to prior year and a decrease in discount rate from 13.58% to 12.93% predominantly due to reduction in the cost of equity of the Group.

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

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

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

Cash Generating Unit (CGUs)	Impairment reversal / (Impairment) 2023 US$'000	Recoverable amount 2023 US$'000	Impairment reversal / (Impairment) 2022 US$'000	Recoverable amount 2022 US$'000
E-Class -1	12,414	94,441	1,820	66,933
E-Class -2	(3,565)	62,481	(2,691)	66,823
E-Class -3	907	79,985	(941)	73,269
E-Class -4	6,584	88,582	5,131	85,592
E-class	**16,340**	**325,489**	3,319	292,617
S-Class -1	4,462	61,092	(4,631)	53,923
S-Class -2	-	67,067	-	56,398
S-Class -3	-	68,787	-	58,865
S-class	**4,462**	**196,946**	(4,631)	169,186
K-Class -1	1,773	16,264	(1,984)	15,475
K-Class -2	1,102	17,033	3,333	16,874
K-Class -3	2,025	18,353	2,880	16,059
K-Class -4	4,464	16,268	(19)	12,678
K-Class -5	1,321	22,047	7,816	21,519
K-Class -6	1,941	51,075	(2,926)	51,139
K-class	**12,626**	**141,040**	9,100	133,744
Total	**33,428**	**663,475**	7,788	595,547

5 Property and equipment (continued)

Impairment (continued)

The below table compares the long-term (Terminal value) day rate and utilisation assumptions used to forecast future cash flows from 2028 for the remainder of each vessel's useful economic life against those secured for 2024:

Vessels class	Day rate change % on 2024 levels	Utilisation change % on 2024 levels
E-Class CGUs	30%	-13%
S-Class CGUs	-4%	3%
K-Class CGUs	-9%	-16%

The below table compares the long-term day rate and utilisation assumptions used to forecast future cash flows during the year ended 31 December 2023 against the Group's long-term assumptions in the impairment assessment performed as at 31 December 2022:

Vessels class	Day rate change % on 2023 levels	Utilisation change % on 2023 levels
E-Class CGUs	-	-
S-Class CGUs	-	-
K-Class CGUs	-	-

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

The net impairment reversal recognised on E-Class vessels reflect further increases in short-term assumptions on day rates and utilisation relative to the Group's previous forecasts. The forecast of 30% increase in day rates relative to 2024 reflects improving market conditions coupled with a limited supply of vessels with the capabilities of the E-Class such as their large crane capacities and superior leg length. As these vessels are the most capable of all the vessels in the fleet it is anticipated they will be able to demand higher day rates and utilization going forward.

The net impairment reversal recognised on the Group's S-Class vessel primarily reflects an increase in short-term forecast day rates and utilisation, as the Group experiences increased demand in a recovering market.

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

Vessels class	Day rates higher by 10% Impact (in US$ million)	Day rates higher by 10% Number of vessels impacted	Day rates lower by 10% Impact (in US$ million)	Day rates lower by 10% Number of vessels impacted
	(Impairment)/ impairment reversal of*		(Impairment)/ impairment reversal of*	
E-Class CGUs	38.0	6	(15.0)	3
S-Class CGUs	4.5	-	(2.6)	1
K-Class CGUs	28.1	2	(17.1)	6
Total fleet	**70.6**	**8**	**(34.7-)**	**10**

**This reversal of impairment / (impairment charge) is calculated on carrying values before the adjustment for impairment reversals in 2023.*

The total recoverable amounts of the Group's vessels as at 31 December 2023 would have been US$ 766.8 million under the increased day rates sensitivity and US$ 552.3 million for the reduced day rate sensitivity.

5 Property and equipment (continued)

Impairment (continued)

Key assumption sensitivities *(continued)*

Utilisation

Vessels class	Utilisation higher by 10% Impact (in US$ million)	Utilisation higher by 10% Number of vessels impacted	Utilisation lower by 10% Impact (in US$ million)	Utilisation lower by 10% Number of vessels impacted
	(Impairment)/ impairment reversal of*		(Impairment)/ impairment reversal of*	
E-Class CGUs	31.1	2	(15.0)	3
S-Class CGUs	4.5	-	(2.6)	1
K-Class CGUs	22.2	6	(17.1)	6
Total fleet	**57.8**	**8**	**(34.7)**	**10**

**This reversal of impairment / (impairment charge) is calculated on carrying values before the adjustment for impairment reversals in 2023.*

The total recoverable amounts of the Group's vessels as at 31 December 2023 would have been US$ 726.9 million under the increased utilisation sensitivity and US$ 552.3 million for the reduced utilisation sensitivity.

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

Discount rate

An additional sensitivity analysis was conducted by adjusting the pre-tax discount rate upwards and downwards by 100 basis points (1%). Given that the change in the discount rate from the previous year is less than 100 basis points, such sensitivity was deemed appropriate for this analysis.

Vessels class	Discount rate higher by 1% Impact (in US$ million)	Discount rate higher by 1% Number of vessels impacted	Discount rate lower by 1% Impact (in US$ million)	Discount rate lower by 1% Number of vessels impacted
	(Impairment)/ impairment reversal of*		(Impairment)/ impairment reversal of*	
E-Class CGUs	6.3	2	27.7	2
S-Class CGUs	3.7	1	4.5	-
K-Class CGUs	6.0	6	16.7	6
Total fleet	**16.0**	**9**	**48.9**	**8**

**This (impairment charge) / impairment reversal is calculated on carrying values before the adjustment for impairment reversals in 2023.*

The total recoverable amounts of the vessels as at 31 December 2023 would have been US$ 707.3 million under the reduced discount rate sensitivity and US$ 624.4 million for the increased discount rate sensitivity.

6 Dry docking expenditure

The movement in dry docking expenditure is summarised as follows:

	2023	2022
	US$'000	US$'000
At 1 January	**8,931**	8,799
Expenditure incurred during the year	**6,960**	5,745
Amortised during the year *(Note 36)*	**(4,687)**	(5,613)
At 31 December	**11,204**	8,931

7 Right-of-use assets

	Buildings	**Communications equipment**	**Operating equipment**	**Total**
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2022	2,262	251	7,560	10,073
Additions	186	-	2,936	3,122
At 31 December 2022	2,448	251	10,496	13,195
Additions	519	894	1,818	3,231
Derecognised	-	-	(567)	(567)
At 31 December 2023	2,967	1,145	11,747	15,859
Accumulated depreciation				
At 1 January 2022	1,448	173	5,568	7,189
Depreciation for the year	419	78	2,138	2,635
At 31 December 2022	1,867	251	7,706	9,824
Depreciation for the year	574	106	2,508	3,188
Derecognised	-	-	(500)	(500)
At 31 December 2023	2,441	357	9,714	12,512
Carrying amount				
At 31 December 2023	**526**	**788**	**2,033**	**3,347**
At 31 December 2022	581	-	2,790	3,371

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

	2023	2022
	US$'000	US$'000
Depreciation of right of use assets *(Note 36)*	**3,188**	2,635
Expense relating to short term leases or leases of low value assets *(Note 36)*	**228**	965
Lease charges included in operating activities	**3,416**	3,600
Interest on lease liabilities *(Note 35)*	**245**	170
Lease charges included in profit before tax	**3,661**	3,770

The total cash outflow for leases amounted to US$ 3.8 million for the year ended 31 December 2023 (2022: US$ 3.7 million).

8 Taxation charge for the year

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

	2023 US$'000	2022 US$'000
Profit from operations before tax	**44,930**	27,126
Tax at the UK corporation tax rate of 23.5% (2022: 19%)	**10,568**	5,154
Effect of different tax rates in overseas jurisdictions	**(13,461)**	(6,106)
Expense not deductible for tax purposes	**2,413**	20
Overseas taxes not based on profit	**1,714**	861
Increase in unrecognised deferred tax	**1,113**	1,242
Prior year tax adjustments	**630**	584
Income not taxable for tax purposes	**(115)**	(31)
Total tax charge	**2,862**	1,724

During the year, the tax rates on profits were 10% in Qatar (2022: 10%), 23.52% in the United Kingdom (2022: 19%) and 20% in Saudi Arabia (2022: 20%) applicable to the portion of profits generated from respective jurisdictions. The Group also incurred 2.5% Zakat tax (an obligatory tax to donate 2.5% of retained earnings each year) on the portion of profits generated in Saudi Arabia (2022: 2.5%).

The Group incurs 5% withholding tax on remittances from Saudi Arabia (2022: 5%). The withholding tax included in the current tax charge amounted to US$ 1.6 million (2022: US$ 0.9 million).

The Group expects the overall effective tax rate in the future to vary according to local tax law changes in jurisdictions which incur taxes, applicability of corporate tax in the UAE, as well as any changes to the share of Group's profits or losses which arise in tax paying jurisdictions.

At the consolidated statement of financial position date, the Group has unused tax losses of US$ 30.2 million (2022: US$ 26.4 million), arising from UK operations, available for offset against future profits with an indefinite expiry period. In line with the prior year, the current year assessment relates to the E-Class vessel which is the only vessel expected to operate in the UK for the foreseeable future. Based on the projections of this remaining vessel's activity, there are insufficient future taxable profits to justify the recognition of a deferred tax asset. On this basis no deferred tax asset has been recognised in the current or prior year, the unrecognised deferred tax asset calculated at the substantively enacted rate in the UK of 25% amounts to US$ 7.6 million as at 31 December 2023 (2022: US$ 6.6 million).

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

Factors affecting current and future tax charges

United Kingdom (UK)

In the Spring Budget 2021, the UK Government announced that from 01 April 2023 the corporation tax rate would increase to 25%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates as disclosed in these consolidated financial statements.

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

8 Taxation charge for the year (continued)

United Arab Emirates (UAE)

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

The Group's UAE operations will be subject to a 9% corporation tax rate with effect from 01 January 2024. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the UAE Ministry of Finance).

GMS has considered deferred tax implications in the preparation of these consolidated financial statements in respect of property and equipment and potential timing differences that could give rise to a deferred tax liability. There are currently no UAE tax laws that would impact treatment of depreciation and amortization of property, plant and equipment, that would result in such a timing difference. Hence, management has concluded that no adjustments to these consolidated financial statements are necessary.

Kingdom of Saudi Arabia

A subsidiary of the Group received a tax assessment from the Saudi tax authorities (ZATCA) for an amount of US$ 7.3 million related to the transfer pricing of inter-group bareboat agreement, for the period from 2017 to 2019. The Group has currently filed an appeal with the Tax Violations and Disputes Appellate Committee (TVDAC) against the assessment raised by ZATCA. The Directors have considered the claim, including consideration of third-party tax advice received. Noticing the claim retrospectively applied from 2010 in respect of a law which was issued in 2019, which applied a "tested party" assessment different to that supported by the Group tax advisors and using an approach which the Directors (supported by their tax advisors) consider to be inconsistent with the principles set out in the KSA transfer price guidelines, the Directors believe that the Group has complied with the relevant tax legislation. Nevertheless, to reach an amicable solution, the Group has also filed a settlement application with the Alternate Dispute Resolution Committee (ADRC), which subsequently requested a settlement offer. The Directors have responded by proposing a settlement of US$ 0.5 million and are currently awaiting a response from the ADRC. On that basis, a provision of US$ 0.5 million has also been recognised in these consolidated financial statements.

9 Trade receivables

	2023 US$'000	2022 US$'000
Trade receivables (gross of allowances)	**32,872**	35,198
Less: Allowance for expected credit losses	**(2,226)**	(2,019)
Trade receivables	**30,646**	33,179

Gross trade receivables, amounting to US$ 32.9 million (2022: US$ 35.2 million), have been assigned as security against the loans extended by the Group's banking syndicate (*Note 22*).

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

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

9 Trade receivables (continued)

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

	2023 US$'000	2022 US$'000
At 1 January	**2,019**	195
Net charge of expected credit losses *(Note 36)*	**207**	1,824
At 31 December	**2,226**	2,019

Trade receivables are considered past due once they have passed their contracted due date. The net charge of expected credit loss provision during the year was US$ 0.2 million (2022: US$ 1.8 million).

Management carried out an impairment assessment of trade receivables for the year ended 31 December 2023 and concluded that the Group had an expected credit loss provision of US$ 2.2 million as at 31 December 2023 (31 December 2022: US$ 2.0 million).

During January 2023, a customer entered administration. The Group had traded with this customer in the past and accordingly, had recorded an allowance for impairment amounting to US$ 1.9 million in the previous year.

Included in the Group's trade receivables balance are receivables with a gross amount of US$ 4.1 million (2022: US$ 0.8 million) which are past due for 30 days or more at the reporting date. At 31 December, the analysis of Trade receivables is as follows:

		Number of days past due					
	Current US$'000	**<30 days** US000	**31-60 days** US000	**61-90 days** US000	**91-120 days** US000	**>120 days** US000	**Total** US000
Trade receivables	**28,714**	**26**	**-**	**-**	**-**	**4,132**	**32,872**
Less: Allowance for expected credit losses	**(110)**	**-**	**-**	**-**	**-**	**(2,116)**	**(2,226)**
Net trade receivables 2023	**28,604**	**26**	**-**	**-**	**-**	**2,016**	**30,646**
Trade receivables	30,166	4,216	-	-	30	786	35,198
Less: Allowance for expected credit losses	(2,003)	(10)	-	-	-	(6)	(2,019)
Net trade receivables 2022	28,163	4,206	-	-	30	780	33,179

Seven customers (2022: nine) account for 99% (2022: 99%) of the total trade receivables balance (see revenue by segment information in *Note 30*). When assessing credit risk, ongoing assessments of customer credit and liquidity positions are performed.

10 Prepayments, advances and other receivables

2023 2022

	2023 US$'000	2022 US$'000
Accrued revenue	**2,656**	1,303
Prepayments	**3,557**	3,137
Deposits*	**86**	85
Advances to suppliers	**1,758**	3,197
At 31 December	**8,057**	7,722

** Deposits include bank guarantee deposits of US$ 39K (2022: US$ 39K). Guarantee deposits are paid by the Group for employee work visas under UAE labour laws.*

11 Derivative financial instruments

Warrants

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

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

Management commissioned an independent valuation expert to measure the fair value of the warrants, which was determined using Monte Carlo option-pricing model, which takes into consideration the market values of comparable public companies, considering among other factors, the use of multiples of earnings, and adjusted to reflect the restrictions on the ability of our shares to trade in an active market. The simulation considers sensitivity by building models of possible results by substituting a range of values. Warrants valuation represents a Level 3 fair value measurement under IFRS 13 hierarchy. The fair value of the warrants as at 31 December 2023 was US$ 14.3 million (31 December 2022: US$ 3.2 million). The increase in fair value of the warrants is primarily due to increase in share price and its volatility. The share price increased from 4.65 pence as at 31 December 2022 to 14.5 pence as at 31 December 2023. A 10% change in share price will increase or decrease the valuation by US$ 0.2 million.

Interest Rate Swap

The Group had an Interest Rate Swap (IRS) arrangement, originally in place, with a notional amount of US$ 50.0 million. The remaining notional amount hedged under the IRS as at 31 December 2023 was US$ nil (31 December 2022: US$ 23.1 million). The IRS hedged the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. The IRS arrangement matured during the year, therefore, the fair value of the IRS as at 31 December 2023 was US$ nil (31 December 2022: asset value US$ 0.4m). In 2020 cash flows of the hedging relationship for the IRS were not highly probable and, therefore, hedge accounting was discontinued from that point.

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

IFRS 13 fair value hierarchy

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

11 Derivative financial instruments (continued)

Derivative financial instruments are made up as follows:

	Interest rate swap US$'000	Warrants US$'000	Total US$'000
At 1 January 2023	**386**	**(3,198)**	**(2,812)**
Net loss on changes in fair value of interest rate swap	**(59)**	**-**	**(59)**
Final settlement of derivatives	**(327)**	**-**	**(327)**
Impact of change in fair value of warrants	**-**	**(11,077)**	**(11,077)**
As at 31 December 2023	**-**	**(14,275)**	**(14,275)**

	Interest rate swap US$'000	Warrants US$'000	Total US$'000
At 1 January 2022	(1,076)	(717)	(1,793)
Settlement of derivatives	384	-	384
Net gain on changes in fair value of interest rate swap	1,078	-	1,078
Impact of change in fair value of warrants	-	(2,481)	(2,481)
As at 31 December 2022	386	(3,198)	(2,812)

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

The balance in the cashflow hedging reserve as at 31 December 2023 was nil (2022: US $ 0.28 million).

12 Cash and cash equivalents

	2023 US$'000	2022 US$'000
Interest bearing		
Held in UAE banks	**1,422**	1,209

Non-interest bearing		
Held in UAE banks	**964**	2,824
Held in banks outside UAE	**6,280**	8,242
Total cash and cash equivalents	**8,666**	12,275

13 Share capital and other reserves

Ordinary shares at £0.02 per share

	Number of ordinary shares (Thousands)	Ordinary shares US$'000
At 1 January 2023	1,016,415	30,117
As at 31 December 2023	**1,016,415**	**30,117**

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

Capital redemption reserve

	Number of ordinary shares (Thousands)	Capital redemption reserve US$'000
At 1 January 2023	350,488	46,445
As at 31 December 2023	**350,488**	**46,445**

Share premium

	Number of ordinary shares (Thousands)	Share premium account US$'000
At 1 January 2023	1,016,415	99,105
As at 31 December 2023	**1,016,415**	**99,105**

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

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

The Group has issued warrants to its lenders which may result in increase in issued share capital in future (refer Note 11).

14 Restricted reserve

The restricted reserve of US$ 0.3 million (2022: US$ 0.3 million) represents the statutory reserves of certain subsidiaries. As required by the Commercial Companies Law in the countries where those entities are established, 10% of profit for the year is transferred to the statutory reserve until the reserve equals 50% of the share capital. Following a recent change to the Regulations of Companies in Kingdom of Saudi Arabia, apportions can cease when the reserve equals 30% instead of 50% of the share capital, although the subsidiary continues to maintain this at 50%. This reserve is not available for distribution. No amounts were transferred to this reserve during the year ended 31 December 2023 (2022: US$ nil).

15 Group restructuring reserve

The Group restructuring reserve arose on consolidation under the pooling of interests (merger accounting) method used for the Group restructuring. Under this method, the Group was treated as a continuation of GMS Global Commercial Investments LLC (the predecessor parent Company) and its subsidiaries. At the date the Company became the new parent company of the Group via a share-for-share exchange, the difference between the share capital of GMS Global Commercial Investments LLC and the Company, amounting to US$ 49.7 million (2022: US $49.7 million), was recorded in the books of Gulf Marine Services PLC as a Group restructuring reserve. This reserve is non-distributable.

16 Share based payment reserve

Share based payment reserve of US$ nil (2022: US$ 3.6 million) relates to awards granted to employees under the long-term incentive plans. Refer to Note 28 for further details.

17 Capital contribution

The capital contribution reserve is as follows:

	2023	2022
	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:

	2023	2022
	US$'000	US$'000
At 1 January	**1,988**	1,912
Share of profit for the year	**726**	76
At 31 December	**2,714**	1,988

19 Non-controlling interest (continued)

The following table summarises the information relating to the subsidiary that has material non -controlling interest, before any intra group eliminations.

	2023	2022
	US$'000	US$'000

Statement of financial position information:

Non-current assets	**129**	76
Current assets	**16,408**	17,830
Non-current liabilities	**(18)**	(38)
Current liabilities	**(6,952)**	(9,607)
Net assets	**9,567**	8,261
Net assets attributable to non-controlling interests	**2,714**	1,988
Statement of profit or loss and other comprehensive income information:		
Revenue	**38,088**	22,569
Profit after tax and zakat	**1,306**	876
Total comprehensive income	**1,306**	876
Profit allocated to non-controlling interests	**726**	76
Statement of cashflow information:		
Cash flows from operating activities	**(1,162)**	1,933
Cash flows from financing activities (dividends: nil)	**(795)**	(525)
Net (decrease) / increase in cash and cash equivalents	**(1,957)**	1,408

20 Provision for employees' end of service benefits

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

	2023 US$'000	2022 US$'000
At 1 January	**2,140**	2,322
Provided during the year	**723**	270
Paid during the year	**(468)**	(452)
At 31 December	**2,395**	2,140

21 Trade and other payables

	2023 US$'000	2022 US$'000
Trade payables	**13,213**	12,618
Due to related parties (*Note 24*)	**962**	2,841
Accrued expenses	**16,090**	11,169
Deferred revenue	**3,546**	628
VAT payable	**392**	365
Other payables	**851**	358
	35,054	27,979

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

22 Bank borrowings

Secured borrowings at amortised cost are as follows:

	2023 US$'000	2022 US$'000
Term loans	**273,939**	328,085
Working capital facility (utilised)*	**2,000**	-
	275,939	328,085

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

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

	2023	2022

	US$'000	US$'000
Unhedged bank borrowings	**275,939**	305,008
Hedged bank borrowing via Interest Rate Swap*	**-**	23,077
	275,939	328,085

**This is an economic hedge and not accounted for in accordance with IFRS 9, Financial Instruments. The Group used an IRS to hedge a portion of the Group's floating rate liability by converting SOFR to a fixed rate. The IRS matured during the year, Refer to Note 27 for further details.*

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

	2023	2022
	US$'000	US$'000
Non-current portion		
Bank borrowings	**234,439**	298,085
Current portion		
Bank borrowings - scheduled repayments within one year	**39,500**	30,000
Working capital facility	**2,000**	-
	275,939	328,085

The principal terms of the outstanding facility as at 31 December 2023 are as follows:

- The facility's main currency is US$ and is repayable with a Secured Overnight Financing Rate (SOFR) plus a margin based on a ratchet depending on leverage levels.
- Following the cessation of the LIBOR on 30 June 2023, the reference rate in the Common Terms Agreement has been changed to the SOFR as the new benchmark rate.

22 Bank borrowings (continued)

- As of the second quarter of 2023, the Group has achieved a reduction in the net leverage ratio to below 4.0, and PIK is no longer accrued. As a result, the margin rate on the loan has been decreased from 4% to 3.1%.
- The facility remains secured by mortgages over its whole fleet with a net book value at 31 December 2023 of US$ 562.2 million (31 December 2022: US$ 549.7 million) (Note 5). Additionally, gross trade receivables, amounting to US$ 32.9 million (31 December 2022: US$ 35.2 million) have been assigned as security against the loans extended by the Group's banking syndicate (Note 9).
- The Group has also provided security against gross cash balances, being cash balances amounting to US$ 8.7 million (31 December 2022: US$ 12.3 million) (Note 12) before the restricted amounts related to visa deposits held with the Ministry of Labour in the UAE which are included in deposits. These have been assigned as security against the loans extended by the Group's banking syndicate.
- As an equity raise of US $50.0 million did not take place by 31 December 2022, 87.6 million warrants were issued on 2 January 2023, giving debt holders the right to 137,075,773 million shares at a strike price of 5.75 pence per share.

The facility is subject to certain financial covenants including: Debt Service Cover, Interest Cover, and Net Leverage Ratio, which are tested bi-annually in June and December. There are also additional covenants relating to general and administrative costs, capital expenditure and Security Cover (loan to value) which are tested annually in December. Further, there were restrictions to payment of dividends until the net leverage ratio falls below 4.0 times, a level reached in second quarter of 2023. All applicable financial covenants assigned to the Group's debt facility were met as of 31 December 2023.

22 Bank borrowings (continued)

	Outstanding amount			
	Current	**Non-current**	**Total**	**Se**
	US$'000	US$'000	US$'000	
31 December 2023:				
Term loan - scheduled repayments within one year	**39,500**	**-**	**39,500**	Se
Term loan - scheduled repayments within more than one year	**-**	**234,439**	**234,439**	Se
Working capital facility - scheduled repayment within one year	**2,000**	**-**	**2,000**	Se
	41,500	**234,439**	**275,939**	
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	

23 Lease liabilities

	2023	2022
	US$'000	US$'000
As at 1 January	**3,522**	2,924
Recognition of new lease liability additions	**3,231**	3,122
Interest on lease liabilities (*Note 35)*	**245**	170
Principal element of lease payments	**(3,330)**	(2,524)
Derecognition of lease liability	**(67)**	-
Interest paid	**(245)**	(170)
As at 31 December	**3,356**	3,522
Maturity analysis:		
Year 1	**1,623**	1,845
Year 2	**1,297**	834
Year 3 - 5	**436**	692
Onwards	**-**	151
	3,356	3,522
Split between:		
Current	**1,623**	1,845
Non - current	**1,733**	1,677
	3,356	3,522

24 Related party transactions

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

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

Key management personnel:

As at 31 December 2023, there were 2.6 million shares held by Directors (31 December 2022: 2.6 million).

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 in the annual report. The other related parties during the year were:

Partner in relation to UAE Operations	**Relationship**
National Catering Company Limited WLL	Affiliate of a significant shareholder of the Company
Sigma Enterprise Company LLC	Affiliate of a significant shareholder of the Company
Aman Integrated Solutions LLC	Affiliate of a significant shareholder of the Company

24 **Related party transactions** (continued)

The amounts outstanding to National Catering Company Limited WLL as at 31 December 2023 was US$ 0.5 million (2022: US$ 0.8 million) included in trade and other payables (Note 21).

The amount outstanding to Sigma Enterprise Company LLC as at 31 December 2023 was US$ 0.5 million, (2022: US$ 1.8 million) included in trade and other payables (Note 21).

The amounts outstanding to Aman Integrated Solutions LLC as at 31 December 2023 was US$ 3k (2022: US$ nil) included in trade and other payables (Note 21).

During 2023, there were no transactions with Seafox international or any of its subsidiaries (2022: US $nil).

Significant transactions with the related party during the year:

	2023 **US$'000**	2022 US$'000
National Catering Company Limited WLL - Catering services	**581**	1,232
Sigma Enterprise Company LLC - Vessel maintenance and overhaul services	**2,372**	1,930
Aman Integrated Solutions LLC - Laboratory services	**18**	7

Compensation of key management personnel

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

	2023 **US$'000**	2022 US$'000
Short-term benefits	**983**	617
End of service benefits	**24**	24
	1,007	641

Compensation of key management personnel represents the charge to the profit or loss in respect of the remuneration of the executive Directors. At 31 December 2023, there were four executive Directors (2022: four). Further details of remuneration of the Board and key management personnel relating to 2023 are contained in the Directors' Remuneration Report in the annual report.

25 **Contingent liabilities**

At 31 December 2023, the banks acting for Gulf Marine Middle East FZE, one of the subsidiaries of the Group, had issued performance bonds amounting to US$ 19.6 million (31 December 2022: US$ 18.0 million), all of which were counter-indemnified by other subsidiaries of the Group.

26 Commitments

	2023 US$'000	2022 US$'000
Capital commitments	**7,825**	6,221

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

27 Financial instruments

Categories of financial instruments

	2023 US$'000	2022 US$'000
Financial assets:		
Current assets at amortised cost:		
Cash and cash equivalents (*Note 12*)	**8,666**	12,275
Trade receivables and other receivables (*Note 9,10*)*	**33,388**	34,567
Current assets recorded at FVTPL:		
Interest rate swap (*Note 11*)	**-**	386
Total financial assets	**42,054**	47,228

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

	2023 US$'000	2022 US$'000
Financial liabilities:		
Derivatives recorded at FVTPL:		
Warrants *(Note 11)*	**14,275**	3,198
Financial liabilities recorded at amortised cost:		
Trade and other payables (*Note 21*)*	**31,116**	26,986
Lease liabilities (*Note 23*)	**3,356**	3,522
Current bank borrowings - scheduled repayments within one year *(Note 22)*	**41,500**	30,000
Non-current bank borrowings - scheduled repayments more than one year *(Note 22)*	**234,439**	298,085
Total financial liabilities	**324,686**	361,791

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

The following table combines information about the following;

- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial liabilities for which fair value was disclosed.

	2023 US$'000	2022 US$'000
Financial assets:		
Recognised at level 2 of the fair value hierarchy:		
Interest rate swap (*Note 11*)	**-**	386
Financial liabilities:		
Recognised at level 3 of the fair value hierarchy:		
Warrants *(Note 11)*	**14,275**	3,198

27 Financial instruments (continued)

Categories of financial instruments (continued)

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation

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

The fair value of the Group's warrants at 31 December 2023 has been arrived at on the basis of a valuation carried out at that date by a third- party expert, an independent valuer not connected with the Group. The valuation conforms to International Valuation Standards. The fair value was determined using a Monte-Carlo simulation.

Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. There have been no transfers between Level 2 and Level 3 during the years ended 31 December 2023 and 31 December 2022.

Capital risk management

The Group manages its capital to support its ability to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The capital structure of the Group consists of net bank debt and total equity. The Group continues to take measures to de-leverage the Company and intends to continue to do so in the coming years.

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in *Note* 3 to the consolidated financial statements.

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk, interest rate risk and foreign currency risk. Management actively monitors and manages these financial risks relating to the Group.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's trade and other receivables and cash and cash equivalents.

The Group has adopted a policy of dealing when possible, with creditworthy counterparties while keen to maximize utilization for its vessels.

Cash balances held with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. At the year-end, cash at bank and in hand totaled US$ 8.7 million (2022: US$ 12.3 million), deposited with banks with Fitch short-term ratings of F2 to F1+ (*Refer to Note 12)*.

Credit risk management (continued)

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. During the year, vessels were chartered to 7 companies in the Arabian Peninsula region and 2 companies in Europe, including NOCs and engineering, procurement and construction ("EPC") contractors.
At 31 December 2023, 7 companies in specific regions accounted for 99% (2022: 9 companies in specific regions accounted for 99%) of the outstanding trade receivables.

The credit risk on liquid funds is limited because the funds are held by banks with high credit ratings assigned by international agencies.

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

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

Liquidity risk management

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

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

27 Financial instruments (continued)

Liquidity risk management (continued)

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

			Contractual cash flows			
31 December 2023	**Interest rate**	**Carrying amount**	**Total**	**1 to 3 months** US$'000	**4 to 12 months** US$'000	**2 to 5 years** US$'000
Non-interest bearing financial liabilities						
Trade and other payables*		**31,116**	**31,116**	**31,116**	**-**	**-**
Interest bearing financial liabilities	8.6%-9.2%					
Bank borrowings- principal		**275,939**	**275,939**	**4,000**	**37,500**	**234,439**
Interest on bank borrowings		**133**	**32,984**	**5,955**	**17,164**	**9,865**
Lease liabilities		**3,356**	**3,356**	**618**	**1,155**	**1,583**
Interest on lease liabilities		**-**	**251**	**60**	**110**	**81**
		310,544	**343,646**	**41,749**	**55,929**	**245,968**

31 December 2022	Interest rate	Carrying amount	Total US$'000	1 to 3 months US$'000	4 to 12 months US$'000	2 to 5 years US$'000
Non-interest bearing financial liabilities						
Trade and other payables*		26,986	26,986	26,986	-	-
Interest bearing financial liabilities	3.2%-6.7%					
Bank borrowings- principal		328,085	328,085	7,500	22,500	298,085
Interest on bank borrowings		-	40,395	2,656	7,603	30,136
Lease liabilities		3,522	3,522	462	1,383	1,677
Interest on lease liabilities		-	148	20	42	86
		358,593	399,136	37,624	31,528	329,984

**Trade and other payables excludes amounts of deferred revenue and VAT payable.*
In addition to above table, capital commitments are expected to be settled in next twelve months.

Interest rate risk management

The Group is exposed to cash flow interest rate risk on its bank borrowings. The Group enters into floating interest rate instruments for the same. Further, the Group had an Interest Rate Swap (IRS) arrangement, originally in place, with a notional amount of US$ 50.0 million. The remaining notional amount hedged under the IRS as at 31 December 2023 was US$ nil (31 December 2022: US$ 23.1 million). The IRS hedged the risk of variability in interest payments by converting a floating rate liability to a fixed rate liability. The IRS arrangement matured during the year, therefore, the fair value of the IRS as at 31 December 2023 was US$ nil (31 December 2022: asset value US$ 0.4 million). In 2020 cash flows of the hedging relationship for the IRS were not highly probable and, therefore, hedge accounting was discontinued from that point. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) consolidated statement of profit or loss and other comprehensive income by US $ 3.3 million.

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.

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 2023 US$'000	2022 US$'000	31 December 2023 US$'000	2022 US$'000
US Dollars	**21,912**	26,556	**3,421**	13,146
UAE Dirhams	**1,154**	283	**6,482**	1,110
Saudi Riyals	**8,531**	10,332	**1,307**	-
Pound Sterling	**12**	31	**2,003**	1,218
Euros	**6,141**	4,535	**-**	-
Qatari Riyals	**3,694**	6,237	**-**	317
Norwegian Krone	**-**	2	**-**	-
Others	**-**	26	**-**	-
	41,444	48,002	**13,213**	15,791

At 31 December 2023, if the exchange rate of the currencies other than the UAE Dirham, Saudi Riyal and Qatari Riyal had increased/decreased by 10% against the US Dollar, with all other variables held constant, the Group's profit for the year would have been higher/lower by US$ 0.4 million (2022: higher/lower by US$ 0.9 million) mainly as a result of foreign exchange loss or gain on translation of Euro and Pound Sterling denominated balances.

28 Long term incentive plans

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

The employment condition attached to the Groups LTIP's was that each eligible employee of the Company must remain in employment during the three-year vesting period. For 2019 and 2020 awards, LTIPs were aligned to Company's share performance. The release of these shares was conditional upon continued employment and market vesting conditions. There were no LTIP awards granted during 2021.

During the year ended 31 December 2023, the market vesting conditions for the LTIP awards granted in 2020 were not met, and all LTIP awards issued in 2020 were forfeited.

During the year ended 31 December 2022, additional LTIPs awards were granted to the Chairman and Senior Management. The awards were to vest over three years subject to the same employment conditions and performance conditions being met in 2024 based on defined ranges. There was an underpin condition such that no awards would vest if the debt leverage in the Group exceeded 4.0 times EBITDA at 31 December 2022. As this criterion had not been met all LTIP awards issued in 2022 were forfeited.

Equity-settled share-based payments were measured at fair value at the date of grant. The fair value determined, using the Binomial Probability Model together with Monte Carlo statistical method, at the grant date of equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The fair value of each award was determined by taking into account the performance conditions, the term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the award.

28 Long term incentive plans (continued)

Non-market vesting conditions were taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period was based on the number of awards that eventually vest. Any market vesting conditions were factored into the fair value of the share-based payment granted.

To the extent that share-based payments are granted to employees of the Group's subsidiaries without charge, the share-based payment is capitalised as part of the cost of investment in subsidiaries.

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

	2023 000's	2022 000's
At the beginning of the year	**1,176,014**	2,499,714
Granted in the year	**-**	9,460,000
Cash settled in the year	**-**	(921,310)
Forfeited in the year	**(1,176,014)**	(9,862,390)

At the end of the year	-	1,176,014

The weighted average remaining contractual life for the vesting period outstanding as at 31 December 2023 was nil years (31 December 2022: 0.1 years). The weighted average fair value of shares granted during the period to 31 December 2023 was US$ nil (31 December 2022: US$ 0.06 million).

	LTIP	LTIP	LTIP
Grant date	14 Jun 2022	29 May 2020	15 Nov 2019
Share price	£0.06	£0.09	£0.08
Exercise price	£0.00	£0.00	£0.00
Expected volatility	102%	120%	103%
Risk-free rate	2.17%	0.01%	0.48%
Expected dividend yield	0.00%	0.00%	0.00%
Vesting period	3 years	3 years	3 years
Award life	3 years	3 years	3 years

The expected share price volatility of Gulf Marine Services PLC shares was determined by considering the historical share price movements for a three-year period up to the grant date (and of each of the companies in the peer group). The risk-free return was determined from similarly dated zero coupon UK government bonds at the time the share awards were granted, using historical information taken from the Bank of England's records.

29 Dividends

There was no dividend declared or paid in 2023 (2022: nil). No final dividend in respect of the year ended 31 December 2023 is to be proposed at the 2023 AGM. The Directors have approved a residual dividend policy which seeks to strike a balance between funding growth initiatives and providing returns to shareholders. Management is currently evaluating the timing for its implementation.

30 Segment reporting

The Group has identified that the Directors and senior management team are the chief operating decision makers in accordance with the requirements of IFRS 8 *'Operating Segments'*. Segment performance is assessed based upon adjusted gross profit/(loss), which represents gross profit/(loss) before depreciation and amortisation and loss on impairment of assets. The reportable segments have been identified by Directors and senior management based on the size and type of asset in operation.

The operating and reportable segments of the Group are (i) K-Class vessels, which include the Kamikaze, Kikuyu, Kawawa, Kudeta, Keloa and Pepper vessels (ii) S-Class vessels, which include the Shamal, Scirocco and Sharqi vessels, and (iii) E-Class vessels, which include the Endeavour, Endurance, Enterprise and Evolution vessels.

All of these operating segments earn revenue related to the hiring of vessels and related services including charter hire income, messing and accommodation services, personnel hire and hire of equipment. The accounting policies of the operating segments are the same as the Group's accounting policies described in *Note 3*.

	Revenue		**Gross profit before adjustments for depreciation, amortisation and impairment charges**	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
E-Class vessels	**60,955**	51,135	**41,864**	32,024
S-Class vessels	**35,018**	33,986	**23,217**	23,899
K-Class vessels	**55,630**	48,036	**33,375**	27,827
	151,603	133,157	**98,456**	83,750
Depreciation charged to cost of sales			**(24,153)**	(23,567)
Amortisation charged to cost of sales			**(4,687)**	(5,613)
Expected credit losses			**(207)**	(1,824)
Adjusted gross profit			**69,409**	52,746
Impairment loss			**(3,565)**	(13,192)
Reversal of impairment			**36,993**	20,980

Gross profit	**102,837**	60,534
Finance expense	**(31,431)**	(17,656)
Impact of change in fair value of warrants	**(11,077)**	(2,481)
Other general and administrative expenses	**(14,645)**	(13,212)
Foreign exchange loss, net	**(987)**	(138)
Other income	**12**	68
Finance income	**221**	11
Profit for the year before taxation	**44,930**	27,126

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the years.

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the key decision makers on a segmental basis and are therefore, not disclosed.

Information about major customers

During the year, four customers (2022: four) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by year, was US$ 49.7 million, US$ 38.1 million, US$ 25.3 million and US$ 15.4 million (2022: US$ 9.0 million, US$ 22.1 million, US$ 43.1 million and US$ 22.4 million).

30 Segment reporting (continued)

Geographical segments

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

	2023	2022
	US$'000	US$'000
United Arab Emirates	**58,452**	51,848
Saudi Arabia	**38,088**	22,645
Qatar	**40,680**	44,259
Total - Arabian Peninsula region	**137,220**	118,752
Total - Europe	**14,383**	14,405
Worldwide Total	**151,603**	133,157

Type of work

The Group operates in both the oil and gas and renewables sector. Oil and gas revenues are driven from both client operating cost expenditure and capex expenditure. Renewables are primarily driven by windfarm developments from client expenditure. Details are shown below.

	2023	2022
	US$'000	US$'000
Oil and Gas	**137,220**	118,752
Renewables	**14,383**	14,405
Total	**151,603**	133,157

Reversal of impairment of US$ 37.0 million and impairment charge of US$ 3.6 million was recognised in respect of property and equipment (*Note 5*) (2022: Reversal of impairment of US$ 21.0 million and impairment charge of US $ 13.2 million) attributable to the following reportable segments:

	2023	2022
	US$'000	US$'000
E-Class vessels	**(16,340)**	(3,319)
S-Class vessels	**(4,462)**	4,631
K-Class vessels	**(12,626)**	(9,100)
	(33,428)	(7,788)

	E-Class vessels	**S-Class vessels**	**K-Class vessels**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
2023				

Depreciation charged to cost of sales	**12,892**	**5,660**	**5,601**	**24,153**
Amortisation charged to cost of sales	**2,035**	**692**	**1,960**	**4,687**
Net reversal of impairment	**(16,340)**	**(4,462)**	**(12,626)**	**(33,428)**
2022				
Depreciation charged to cost of sales	12,694	5,829	5,044	23,567
Amortisation charged to cost of sales	2,302	839	2,472	5,613
Impairment charge/(reversal of impairment charge) - net	(3,319)	4,631	(9,100)	(7,788)

31 Presentation of adjusted non-GAAP results

The following table provides a reconciliation between the Group's adjusted non-GAAP and statutory financial results:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Adjusted non-GAAP results	**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	**151,603**	**-**	**151,603**	133,157	-	133,157
Cost of sales						
- Vessel operating expenses before depreciation, amortisation and impairment	**(53,147)**	**-**	**(53,147)**	(49,407)	-	(49,407)
- Depreciation and amortisation	**(28,840)**	**-**	**(28,840)**	(29,180)	-	(29,180)
Expected credit losses	**(207)**	**-**	**(207)**	(1,824)	-	(1,824)
Net reversal of impairment*	**-**	**33,428**	**33,428**	-	7,788	7,788
Gross profit	**69,409**	**33,428**	**102,837**	52,746	7,788	60,534
General and administrative						
- Amortisation	**(3,188)**	**-**	**(3,188)**	(2,635)	-	(2,635)
- Depreciation	**(145)**	**-**	**(145)**	(128)	-	(128)
- Other administrative costs	**(10,727)**	**-**	**(10,727)**	(10,449)	-	(10,449)
- Exceptional legal costs**	**-**	**(585)**	**(585)**	-	-	-
Operating profit	**55,349**	**32,843**	**88,192**	39,534	7,788	47,322
Finance income	**221**	**-**	**221**	11	-	11
Finance expense	**(31,431)**	**-**	**(31,431)**	(17,656)	-	(17,656)
Impact of change in fair value of warrants	**(11,077)**	**-**	**(11,077)**	(2,481)	-	(2,481)
Other income	**12**	**-**	**12**	68	-	68
Foreign exchange loss, net	**(987)**	**-**	**(987)**	(138)	-	(138)
Profit before taxation	**12,087**	**32,843**	**44,930**	19,338	7,788	27,126
Taxation (charge)/credit						
- Taxation charge	**(2,329)**	**-**	**(2,329)**	(1,724)	-	(1,724)
- Exceptional tax expense**	**-**	**(533)**	**(533)**	-	-	-
Profit for the year	**9,758**	**32,310**	**42,068**	17,614	7,788	25,402
Profit attributable to:						
Owners of the Company	**9,032**	**32,310**	**41,342**	17,538	7,788	25,326
Non-controlling interests	**726**	**-**	**726**	76	-	76
Earnings per share (basic)	**0.89**	**3.18**	**4.07**	1.73	0.76	2.49
Earnings per share (diluted)	**0.86**	**3.06**	**3.92**	1.71	0.76	2.47
Supplementary non statutory information						
Operating profit	**55,349**	**32,843**	**88,192**	39,534	7,788	47,322
Add: Depreciation and amortisation	**32,173**	**-**	**32,173**	31,944	-	31,944
Adjusted EBITDA	**87,522**	**32,843**	**120,365**	71,478	7,788	79,266

** The reversal of impairment credit/impairment charge on certain vessels have been added back to gross profit to arrive at adjusted gross profit for the year ended 31 December 2023 and 2022 (refer to Note 5 for further details). Management has adjusted this due to the nature of the transaction which it believes is not directly related to operations management are able to influence. This measure provides additional information on the core profitability of the Group.*

***These exceptional legal cost and exceptional tax expense relates to ZATCA transfer pricing case legal fee and expected tax outcome as explained in Note 8.*

31 Presentation of adjusted non-GAAP results (continued)

	Year ended 31 December 2023			Year ended 31 December 2022		
	Adjusted non-GAAP results	**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	**9,758**	**32,310**	**42,068**	17,614	7,788	25,402
Adjustments for:						
Net reversal of impairment*	**-**	**(33,428)**	**(33,428)**		(7,788)	(7,788)
Finance expenses	**31,431**	**-**	**31,431**	17,656	-	17,656
Impact of change in fair value of warrants	**11,077**	**-**	**11,077**	2,481	-	2,481
Other adjustments **	**34,145**	**1,118**	**35,263**	35,276	-	35,276
Cash flow from operating activities before movement in working capital	**86,411**	**-**	**86,411**	73,027	-	73,027
Change in trade and other receivables	**2,003**	**-**	**2,003**	5,610	-	5,610
Change in trade and other payables	**8,140**	**-**	**8,140**	5,005	-	5,005
Cash generated from operations	**96,554**	**-**	**96,554**	83,642	-	83,642
Income tax paid	**(2,151)**	**-**	**(2,151)**	(1,077)	-	(1,077)
Net cash flows from operating activities	**94,403**	**-**	**94,403**	82,565	-	82,565
Net cash flows used in investing activities	**(12,788)**	**-**	**(12,788)**	(6,304)	-	(6,304)
Payment of issue costs on bank borrowings	**(374)**	**-**	**(374)**	(148)	-	(148)
Other cash flows used in financing activities	**(84,850)**	**-**	**(84,850)**	(72,109)	-	(72,109)
Net cash flows used in financing activities	**(85,224)**	**-**	**(85,224)**	(72,257)	-	(72,257)
Net change in cash and cash equivalents	**(3,609)**	**-**	**(3,609)**	4,004	-	4,004

**The reversal of impairment credit/impairment charge on certain vessels and related assets have been added back to cash flow from operating activities before movement in working capital for the year ended 31 December 2023 and 2022 (refer to Note 5 for further details).*

***These exceptional legal cost and exceptional tax expense relates to ZATCA transfer pricing case legal fee and expected tax outcome as explained in Note 8.*

32 Earnings per share

	2023	2022
Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to Owners of the Company (US$'000)	**41,342**	25,326
Profit for the purpose of adjusted basic and diluted earnings per share (US$'000) *(Note 31)*	**9,032**	17,538
Weighted average number of shares ('000)	**1,016,415**	1,016,415
Weighted average diluted number of shares in issue ('000)	**1,055,003**	1,024,124
Basic earnings per share (cents)	**4.07**	2.49
Diluted earnings per share (cents)	**3.92**	2.47
Adjusted earnings per share (cents)	**0.89**	1.73
Adjusted diluted earnings per share (cents)	**0.86**	1.71

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company (as disclosed in the statement of comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Adjusted earnings per share is calculated on the same basis but uses the profit for the purpose of basic earnings per share (shown above) adjusted by adding back the non-operational items, which were recognised in the consolidated statement of profit or loss and other comprehensive income *(Note 31)*. The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of outstanding warrants and LTIPs during the year.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (*Note 31*) attributable to equity holders of the Group.

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

	2023	2022
	'000s	'000s
Weighted average basic number of shares in issue	**1,016,415**	1,016,415
Weighted average effect of LTIP's	**-**	7,709
Weighted average effect of warrants	**38,588**	-
Weighted average diluted number of shares in issue	**1,055,003**	1,024,124

33 Revenue

All revenue in the above table is in scope of IFRS 15 with the exception of lease income which is in scope of IFRS 16.

	2023	2022
	US$'000	US$'000
Charter hire	**76,111**	70,295
Lease income	**57,073**	44,543
Messing and accommodation	**9,173**	12,746
Manpower income	**5,418**	3,516
Mobilisation and demobilisation	**2,255**	1,281
Sundry income	**1,573**	776
	151,603	133,157

Revenue recognised - over time	**149,871**	131,958
Revenue recognised - point in time	**1,732**	1,199
-		
	151,603	133,157

Included in mobilisation and demobilisation income is an amount of US$ 0.6 million (2022 US$ 0.6 million) that was included as deferred revenue at the beginning of the financial year.

Lease income:

	2023	2022
	US$'000	US$'000
Maturity analysis:		
Year 1	**68,207**	57,665
Year 2	**56,551**	36,696
Year 3 - 5	**73,649**	32,947
	198,407	127,308
Split between:		
Current	**68,207**	57,665
Non - current	**130,200**	69,643
	198,407	127,308

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

34 Finance income

	2023	2022
	US$'000	US$'000
Bank interest	**221**	11

35 Finance expense

	2023	2022
	US$'000	US$'000
Interest on bank borrowings	**29,456**	17,231
Gain on IRS reclassified to profit or loss	**279**	279
Net loss / (gain) on changes in fair value of interest rate swap (*Note 11)*	**59**	(1,078)
Interest on lease liabilities *(Note 23)*	**245**	170
Other finance expenses	**1,392**	1,054

	31,431	17,656

36 Profit for the year

The profit for the year is stated after charging/(crediting):

	2023 US$'000	2022 US$'000
Total staff costs (see below)	**31,230**	27,350
Depreciation of property and equipment *(Note 5)*	**24,297**	23,695
Amortisation of dry-docking expenditure *(Note 6)*	**4,687**	5,613
Depreciation of right-of-use assets *(Note 7)*	**3,188**	2,635
Net charge of expected credit losses *(Note 9)*	**207**	1,824
Auditor's remuneration (see below)	**1,127**	787
Net foreign exchange loss	**987**	138
Other income	**(12)**	(68)
Expense relating to short term leases or leases of low value assets *(Note 7)*	**228**	965
Reversal of impairment loss *(Note 5)*	**(33,428)**	(7,788)

The average number of full time equivalent employees (excluding non-executive Directors) by geographic area was:

	2023 Number	2022 Number
Arabian Peninsula region	**598**	539
Rest of the world	**30**	28
	628	567

The total number of full-time equivalent employees (including executive Directors) as at 31 December 2023 was 660 (31 December 2022: 594). The number of full-time employees increased in the year due to an increase in offshore headcount from the second half of the year.

Their aggregate remuneration comprised:

	2023 US$'000	2022 US$'000
Wages and salaries	**30,477**	26,845
End of service benefit *(Note 20)*	**723**	270
Share based payment charge	**17**	45
Employment taxes*	**13**	190
	31,230	27,350

*Employment taxes include US$ 6K (2022: US $ 0.17 million) in respect of social security costs for our crew working in France.

The analysis of the auditor's remuneration is as follows:

	2023 US$'000	2022 US$'000
Group audit fees	**700**	520
Overruns and out of pocket expenses in relation to 2022 Group audit	**177**	-
Subsidiary audit fees	**100**	100
Total audit fees	**977**	620
Audit-related assurance services	**150**	167
Total fees	**1,127**	787

37 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivatives *(Note 11)* US$'000	**Lease liabilities** *(Note 23)* US$'000	**Bank borrowings** *(Note 22)* US$'000
At 1 January 2022	1,793	2,924	379,526
Financing cash flows			
Repayment of bank borrowings	-	-	(51,445)

Repayment of bank borrowings	-	-	(51,445)
Principal elements of lease payments	-	(2,524)	-
Settlement of derivatives	(384)	-	-
Interest paid	-	(170)	(17,227)
Total financing cashflows	(384)	(2,694)	(68,672)
Non-cash changes:			
Recognition of new lease liability additions	-	3,122	-
Interest on lease liabilities (*Note 35)*	-	170	-
Interest on bank borrowings *(Note 35)*	-	-	17,231
Net gain on change in fair value of IRS (*Note 11)*	(1,078)	-	-
Impact of change in fair value of warrants (*Note 11)*	2,481	-	-
Total non-cash changes	1,403	3,292	17,231
At 31 December 2022	2,812	3,522	328,085
Financing cash flows			
Repayment of bank borrowings	**-**	**-**	**(56,174)**
Working capital facility			**2,000**
Principal elements of lease payments	**-**	**(3,330)**	**-**
Settlement of derivatives	**327**	**-**	**-**
Interest paid	**-**	**(245)**	**(27,428)**
Total financing cashflows	**327**	**(3,575)**	**(81,602)**
Non-cash changes:			
Recognition of new lease liability additions	**-**	**3,231**	**-**
Derecognition of lease liability	**-**	**(67)**	**-**
Interest on lease liabilities (*Note 35)*	**-**	**245**	**-**
Interest on bank borrowings *(Note 35)*	**-**	**-**	**29,456**
Net gain on change in fair value of IRS (*Note 11)*	**59**	**-**	**-**
Impact of change in fair value of warrants (*Note 11)*	**11,077**	**-**	**-**
Total non-cash changes	**11,136**	**3,409**	**29,456**
At 31 December 2023	**14,275**	**3,356**	**275,939**

38 Events after the reporting period

There were no subsequent events, that impact to these consolidated financial statements after the reporting period.

39 Reclassification

Certain figures have been reclassified since the comparative consolidated financial statements as presented below. We believe the revised presentation gives users better information to understand these consolidated financial statements given the materiality of the warrants in the current period.

	Before reclassification US$'000	**Reclassifications** US$'000	**After reclassification** US$'000
Consolidated statement of profit or loss and other comprehensive income			
Finance expense (Note 35)	(20,137)	2,481	**(17,656)**
Impact of change in fair value of warrants	-	(2,481)	**(2,481)**

A transposition error was identified in relation to the presentation of derivative financial instruments on the face of the consolidated statement of financial position in the prior period. A current derivative liability ($3.2m) was included in both the current liability and non-current liability section of the statement of financial position. This has been corrected in the comparative amounts in the current year.

END

FR SSSEEDELSEFL